



Dave Yost • Auditor of State

OHIO AUDITOR OF STATE KEITH FABER



January 24, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

**HALE TOWNSHIP
HARDIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Hale Township
Hardin County
P.O. Box 174
Mount Victory, Ohio 43340

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 Hale Township, Hardin County, Ohio (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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code 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 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, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Hale Township, Hardin County as of December 31, 2017 and 2016, 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 January 9, 2019, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 9, 2019

**Hale Township
Hardin County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$27,158	\$90,078	\$117,236
Licenses, Permits and Fees	50	4,950	5,000
Intergovernmental	20,661	110,073	130,734
Earnings on Investments	769	121	890
Miscellaneous	1,014	2,460	3,474
<i>Total Cash Receipts</i>	<u>49,652</u>	<u>207,682</u>	<u>257,334</u>
Cash Disbursements			
Current:			
General Government	34,541	14,051	48,592
Public Works		105,499	105,499
Health	9,504	23,064	32,568
<i>Total Cash Disbursements</i>	<u>44,045</u>	<u>142,614</u>	<u>186,659</u>
<i>Excess of Receipts Over Disbursements</i>	<u>5,607</u>	<u>65,068</u>	<u>70,675</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	1,341		1,341
Other Financing Uses	(2,009)	(4,739)	(6,748)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(668)</u>	<u>(4,739)</u>	<u>(5,407)</u>
<i>Net Change in Fund Cash Balances</i>	4,939	60,329	65,268
<i>Fund Cash Balances, January 1</i>	<u>124,691</u>	<u>234,367</u>	<u>359,058</u>
Fund Cash Balances, December 31			
Restricted	0	158,063	158,063
Committed	0	136,633	136,633
Assigned	47,130	0	47,130
Unassigned	82,500	0	82,500
<i>Fund Cash Balances, December 31</i>	<u>\$129,630</u>	<u>\$294,696</u>	<u>\$424,326</u>

See accompanying notes to the financial statements

**Hale Township
Hardin County
Statement of Receipts, Disbursements
and Changes in Fund Balance (Cash Basis)
Fiduciary Fund
For the Year Ended December 31, 2017**

	<u>Private Purpose Trust</u>
<i>Fund Cash Balance, January 1</i>	<u>\$1,125</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$1,125</u></u>

**Hale Township
Hardin 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 the Hale Township, Hardin 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 and cemetery maintenance. The Southeast Hardin Northwest Union Joint Fire District provides fire services for the Township and the Southeastern Hardin Ambulance District provides ambulance services for the Township.

Jointly Governed Organizations and Public Entity Risk Pools

The Township participates in three jointly governed organizations and the Ohio Township Association Risk Management Authority public entity risk pool. Notes 6 and 9 to the financial statements provides additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the fiduciary fund type 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 receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Cemetery Tax Fund The cemetery tax fund receives cemetery tax levy money to pay for maintaining the Township's cemeteries

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

**Hale Township
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2017**

Note 2 – Summary of Significant Accounting Policies (continued)

The Township's private purpose trust fund is for the benefit of Howard Butler Wagner. The Township recorded the interest and related disbursements from the trust fund in the General Fund during 2017.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

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:

**Hale Township
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2017**

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Note 3 – 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	\$42,979	\$50,993	\$8,014
Special Revenue	196,187	207,682	11,495
Fiduciary	10	0	(10)
Total	<u>\$239,176</u>	<u>\$258,675</u>	<u>\$19,499</u>

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,375	\$46,054	\$40,321
Special Revenue	282,625	147,353	135,272
Fiduciary	1,135	0	1,135
Total	<u>\$370,135</u>	<u>\$193,407</u>	<u>\$176,728</u>

**Hale Township
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2017**

Note 4 – Deposits

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

	2017
Demand deposits	\$328,570
Certificates of deposit	96,881
Total deposits	\$425,451

Deposits

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

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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 6 – 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.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**Hale Township
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2017**

Note 6 – Risk Management (continued)

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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

2017 Contributions to OTARMA
\$4,669

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

**Hale Township
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2017**

Note 7 – Defined Benefit Pension Plans (continued)

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. 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 9 – Jointly Governed Organizations

Hardin County Regional Planning Commission

The Hardin County Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

Southeast Hardin Northwest Union Joint Fire District

The Southeast Hardin Northwest Union Joint Fire District, Hardin County, (the Fire District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Fire District is directed by an appointed four member Board of Trustees. One Board Member is appointed by each political subdivision within the Fire District which consists of Dudley Township and Hale Township in Hardin County, Washington Township in Union County, and the Village of Mount Victory in Hardin County. The Fire District provides fire protection within the Fire District. Financial information can be obtained from James Cyrus, Southeast Hardin Northwest Union Joint Fire District, P.O. Box 123, Mount Victory, Ohio 43340.

Southeastern Hardin Ambulance District

The constitution and laws of the State of Ohio establish the rights and privileges of the Southeastern Hardin Ambulance District, Hardin County (the District), as a body corporate and politic. The District is directed by an appointed four-member Board of Trustees. The Board of Trustees is appointed by the governing bodies of the Villages and Townships within Hardin County who receive ambulance services from the District. The District provides ambulance service for the Villages of Mount Victory and Ridgeway and the Townships of Hale and Taylor Creek. Financial information can be obtained from Ashlee McCullough, P.O. Box 85, Mount Victory, Ohio 43340.

**Hale Township
Hardin County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$26,844	\$88,705	\$115,549
Licenses, Permits and Fees		4,100	4,100
Intergovernmental	19,963	98,510	118,473
Earnings on Investments	665	69	734
Miscellaneous	1,146	5,981	7,127
<i>Total Cash Receipts</i>	<u>48,618</u>	<u>197,365</u>	<u>245,983</u>
Cash Disbursements			
Current:			
General Government	35,312	13,481	48,793
Public Safety	184		184
Public Works		109,969	109,969
Health	9,578	23,773	33,351
Capital Outlay	4,817	4,000	8,817
<i>Total Cash Disbursements</i>	<u>49,891</u>	<u>151,223</u>	<u>201,114</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,273)</u>	<u>46,142</u>	<u>44,869</u>
Other Financing Receipts			
Sale of Capital Assets	2,708	1,805	4,513
Other Financing Sources	1,273		1,273
<i>Total Other Financing Receipts</i>	<u>3,981</u>	<u>1,805</u>	<u>5,786</u>
<i>Net Change in Fund Cash Balances</i>	2,708	47,947	50,655
<i>Fund Cash Balances, January 1</i>	<u>121,983</u>	<u>186,420</u>	<u>308,403</u>
Fund Cash Balances, December 31			
Restricted	0	115,498	115,498
Committed	0	118,869	118,869
Assigned	43,396	0	43,396
Unassigned	81,295	0	81,295
<i>Fund Cash Balances, December 31</i>	<u>\$124,691</u>	<u>\$234,367</u>	<u>\$359,058</u>

See accompanying notes to the basic financial statements

**Hale Township
Hardin County
Statement of Receipts, Disbursements
and Changes in Fund Balance (Cash Basis)
Fiduciary Fund
For the Year Ended December 31, 2016**

	<u>Private Purpose Trust</u>
<i>Fund Cash Balance, January 1</i>	<u>\$1,125</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$1,125</u></u>

**Hale Township
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2016**

Note 1 – Reporting Entity

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Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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Fund Accounting

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Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

**Hale Township
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2016**

Note 2 – Summary of Significant Accounting Policies (continued)

The Township's private purpose trust fund is for the benefit of Howard Butler Wagner. The Township recorded the interest and related disbursements from the trust fund in the General Fund during 2016.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

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:

**Hale Township
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2016**

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Note 3 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,664	\$52,599	\$8,935
Special Revenue	205,643	199,170	(6,473)
Fiduciary	10	0	(10)
Total	\$249,317	\$251,769	\$2,452

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$84,175	\$50,377	\$33,798
Special Revenue	262,675	152,401	110,274
Fiduciary	1,135	0	1,135
Total	\$347,985	\$202,778	\$145,207

**Hale Township
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2016**

Note 4 – Deposits

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

	<u>2016</u>
Demand deposits	\$263,675
Certificates of deposit	<u>96,508</u>
Total deposits	<u><u>\$360,183</u></u>

Deposits

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

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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 6 – 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.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**Hale Township
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2016**

Note 6 – Risk Management (continued)

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, 2016.

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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

<u>2016 Contributions to OTARMA</u>
\$4,647

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

**Hale Township
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2016**

Note 7 – Defined Benefit Pension Plans (continued)

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 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. 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 9 – Jointly Governed Organizations

Hardin County Regional Planning Commission

The Hardin County Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

Southeast Hardin Northwest Union Joint Fire District

The Southeast Hardin Northwest Union Joint Fire District, Hardin County, (the Fire District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Fire District is directed by an appointed four member Board of Trustees. One Board Member is appointed by each political subdivision within the Fire District which consists of Dudley Township and Hale Township in Hardin County, Washington Township in Union County, and the Village of Mount Victory in Hardin County. The Fire District provides fire protection within the Fire District. Financial information can be obtained from James Cyrus, Southeast Hardin Northwest Union Joint Fire District, P.O. Box 123, Mount Victory, Ohio 43340.

Southeastern Hardin Ambulance District

The constitution and laws of the State of Ohio establish the rights and privileges of the Southeastern Hardin Ambulance District, Hardin County (the District), as a body corporate and politic. The District is directed by an appointed four-member Board of Trustees. The Board of Trustees is appointed by the governing bodies of the Villages and Townships within Hardin County who receive ambulance services from the District. The District provides ambulance service for the Villages of Mount Victory and Ridgeway and the Townships of Hale and Taylor Creek. Financial information can be obtained from Ashlee McCullough, P.O. Box 85, Mount Victory, Ohio 43340.



Dave Yost • Auditor of State

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

Hale Township
Hardin County
P.O. Box 174
Mount Victory, Ohio 43340

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 the Hale Township, Hardin 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 January 9, 2019 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 findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-002.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

January 9, 2019

HALE TOWNSHIP
HARDIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Material Weakness – Financial Statement Misstatements

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

The following errors were identified in the 2017 financial statements and the Township's financial statements were adjusted for these errors:

- Governmental Accounting Standards Board (GASB) Statement 54, paragraph 16 (GASB Codification 1800.176) states, in part, that an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. The Township failed to properly classify the amount by which appropriations exceeded estimated receipts for the subsequent year in the amount of \$47,130. This amount should have been classified as assigned fund balance rather than unassigned fund balance in the general fund.
- The Township posted homestead and rollback revenue as property and other taxes rather than intergovernmental revenue. Also, property tax receipts were posted at the net amount rather than the gross amount received from the County. As a result, general fund property and other taxes receipts were overstated by \$3,256, general government expenditures were understated by \$541 and intergovernmental receipts were understated by \$3,797.
- The Township posted homestead and rollback revenue as property and other taxes rather than intergovernmental revenue. Also, property tax receipts were posted at the net amount rather than the gross amount received from the County. As a result, special revenue fund property and other taxes receipts were overstated by \$6,514, general government expenditures were understated by \$1,717 and intergovernmental receipts were understated by \$8,231.
- Special revenue fund balances related to property tax inside millage should be classified as committed fund balance in accordance with the provisions of Governmental Accounting Standards Board Statement No. 54. As a result, special revenue fund restricted fund balance was reclassified as committed fund balance in the amount of \$136,633.

The following errors were identified in the 2016 financial statements and the Township's financial statements were adjusted for these errors:

- The Township improperly posted numerous disbursements as other financing uses rather than cash disbursements. As a result, general fund other financing uses were overstated by \$5,233, general government disbursements were understated by \$1,732, public safety disbursements were understated by \$184 and capital outlay disbursements were understated by \$3,317.
- The Township improperly posted numerous disbursements as other financing uses rather than cash disbursements. As a result, special revenue fund other financing uses were overstated by \$30,676, general government disbursements were understated by \$253, public works disbursements were understated by \$25,347, health disbursements were understated by \$1,076 and capital outlay disbursements were understated by \$4,000.

**FINDING NUMBER 2017-001
(Continued)**

- Governmental Accounting Standards Board (GASB) Statement 54, paragraph 16 (GASB Codification 1800.176) states, in part, that an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. The Township failed to properly classify the amount by which appropriations exceeded estimated receipts for the subsequent year in the amount of \$43,396. This amount should have been classified as assigned fund balance rather than unassigned fund balance in the general fund.
- The Township posted homestead and rollback revenue as property and other taxes rather than intergovernmental revenue. Also, property tax receipts were posted at the net amount rather than the gross amount received from the County. As a result, general fund property and other tax receipts were overstated by \$3,627, general government expenditures were understated by \$551 and intergovernmental receipts were understated by \$4,178.
- The Township posted homestead and rollback revenue as property and other taxes rather than intergovernmental revenue. Also, property tax receipts were posted at the net amount rather than the gross amount received from the County. As a result, special revenue fund property and other tax receipts were overstated by \$6,184, general government expenditures were understated by \$1,702 and intergovernmental receipts were understated by \$7,886.
- Special revenue fund balances related to property tax inside millage should be classified as committed fund balance in accordance with the provisions of Governmental Accounting Standards Board Statement No. 54. As a result, special revenue fund restricted fund balance was reclassified as committed fund balance in the amount of \$118,869.

Additional insignificant errors were also noted for years ended December 31, 2017 and 2016.

Failure to properly report financial activity could lead to materially misstated financial statements and users of the financial statements basing their conclusions on incorrect information.

The Township should implement procedures to review the financial statements and verify the completeness and accuracy of amounts reported in the financial statements in accordance with applicable accounting standards. The Township should utilize the Uniform Accounting Network (UAN) chart of accounts when recording financial transactions to the accounting system and should review GASB 54 and/or Auditor of State Bulletin 2011-004 when classifying fund balances.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2017-002

Noncompliance and Material Weakness – ORC 5705.10(F)

Ohio Rev. Code § 5705.10(F) states, in part, proceeds from the sale of property other than a permanent improvement shall be paid into the fund from which such property was acquired or is maintained or, if there is no such fund, into the general fund.

In 2009, the Township charged the general fund and the motor vehicle license tax fund for the purchase of a truck. The general fund was charged 40 percent and the motor vehicle license tax fund was charged 60 percent of the purchase price. During 2016, the Township sold the truck and posted the entire amount of the proceeds to the motor vehicle license tax fund. The proceeds should have been allocated to the general fund and the motor vehicle license tax fund in the same percentages as the purchase was allocated. As a result, the motor vehicle license tax fund balance was overstated in the amount of \$2,708 and the general fund balance was understated in the amount of \$2,708. The Township's financial statements were adjusted for this error.

**FINDING NUMBER 2017-002
(Continued)**

Upon this error being brought to the Township's attention, the Township made an entry on its accounting system on January 4, 2019 to correct the fund balance error.

Failure to post all receipts to the proper fund could lead to material fund balance errors and/or material financial statement errors. Management decisions could then be made on incorrect information.

The Township should implement procedures to verify that all transactions are posted to the proper funds.

Officials' Response: We did not receive a response from Officials to this finding.

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OHIO AUDITOR OF STATE
KEITH FABER



HALE TOWNSHIP

HARDIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 24, 2019**