

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

AUDIT REPORT

JANUARY 1, 2017 - DECEMBER 31, 2018

**Wilson, Phillips & Agin, CPA's, Inc.
1100 Brandywine Blvd. Building G
Zanesville, Ohio 43701**

OHIO AUDITOR OF STATE KEITH FABER



Board of Trustees
Hocking Township
1175 Cincinnati-Zanesville Road
Lancaster, Ohio 43130

We have reviewed the *Independent Auditors' Report* of the Hocking Township, Fairfield County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2017 through December 31, 2018. 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. The Hocking Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

April 22, 2019

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**HOCKING TOWNSHIP
FAIRFIELD COUNTY
JANUARY 1, 2017 - DECEMBER 31, 2018**

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

INDEPENDENT AUDITORS' REPORT

Hocking Township
Fairfield County
1175 Cincinnati-Zanesville Road
Lancaster, Ohio 43130

To the Township 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 Hocking Township, Fairfield County, as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code 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 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonable 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 Hocking Township, Fairfield County as of December 31, 2018 and 2017, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type and related notes of Hocking Township, Fairfield County as of December 31, 2018 and 2017 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 a report dated February 26, 2019, on our consideration of Hocking 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
February 26, 2019

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 59,477	\$ 512,002	\$ -	\$ 571,479
Charges for Services	-	98,658	-	98,658
Licenses, Permits and Fees	-	8,135	-	8,135
Intergovernmental	59,564	200,703	-	260,267
Earnings on Investments	7,379	1,366	-	8,745
Miscellaneous	15,339	30,402	-	45,741
Total Cash Receipts	<u>141,759</u>	<u>851,266</u>	-	<u>993,025</u>
Cash Disbursements:				
Current:				
General Government	97,403	14,151	-	111,554
Public Safety	-	405,522	-	405,522
Public Works	-	379,401	-	379,401
Health	18,815	-	-	18,815
Capital Outlay	-	49,038	-	49,038
Debt Service:				
Redemption of Principal	-	21,747	-	21,747
Interest and Other Fiscal Charges	-	11,013	-	11,013
Total Cash Disbursements	<u>116,218</u>	<u>880,872</u>	-	<u>997,090</u>
Net Change in Fund Cash Balances	25,541	(29,606)	-	(4,065)
Fund Cash Balances, January 1	<u>1,151,815</u>	<u>726,514</u>	<u>25,131</u>	<u>1,903,460</u>
Fund Cash Balances, December 31				
Restricted	-	682,935	25,131	708,066
Assigned	1,333	13,973	-	15,306
Unassigned (Deficit)	1,176,023	-	-	1,176,023
Fund Cash Balances, December 31	<u>\$ 1,177,356</u>	<u>\$ 696,908</u>	<u>\$ 25,131</u>	<u>\$ 1,899,395</u>

See notes to financial statements.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

1. REPORTING ENTITY

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Hocking Township, Fairfield County, (the Township) as a body corporate and politic. A publically-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, fire protection and emergency medical services. Police protection is provided by the Fairfield County Sheriff Department.

The Township participates in a public entity risk pool and a jointly governed organization. Note 6 and 11 to the financial statements provides additional information for this entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. 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:

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

Road & Bridge Fund – This fund receives property tax monies to pay for constructing, maintaining, and repairing Township roads.

Fire Operating Fund – This fund receives property tax monies to operate the Township's volunteer fire department.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Fund

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant Capital Projects Fund:

Capital Projects Equipment Fund – This fund accounts for receipts restricted to acquiring or constructing major capital projects.

C. 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 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.

D. 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 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 carried over, and need not be reappropriated.

A summary of 2018 appears in Note 3.

E. Deposits and Investments

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

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. 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.

H. Fund Balance

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2018 is as follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 93,800	\$ 141,759	\$ 47,959
Special Revenue	737,660	851,266	113,606
Capital Projects	100,000	-	(100,000)
Total	\$ 931,460	\$ 993,025	\$ 61,565

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 245,515	\$ 117,551	\$ 127,964
Special Revenue	1,003,459	894,845	108,614
Capital Projects	100,000	-	100,000
Total	\$ 1,348,974	\$ 1,012,396	\$ 336,578

Contrary to ORC 5705.41(D), the Township made expenditures prior to certification.

4. EQUITY IN POOLED CASH

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

	2018
Demand Deposits	\$ 899,395
Certificates of Deposit	1,000,000
Total Deposits	\$ 1,899,395

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

5. 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.

6. RISK MANAGEMENT

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, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

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

	<u>2017</u>
Assets	\$40,010,732
Liabilities	<u>(8,675,465)</u>
Retained Earnings	<u>\$31,335,267</u>

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, 2018, the Township's share of these unpaid claims collectible in future years is approximately \$8,163.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

6. RISK MANAGEMENT(Continued)

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

2018	\$18,554
2017	20,137
2016	19,463

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.

7. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Some of the Township's full-time employees 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 2018, 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, 2018.

Social Security

Several Township employees contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

9. DEBT

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest rate
Kingston National Bank - Firehouse Construction	\$ 323,589	3.30%
Total	\$ 323,589	

The loan was issued to finance construction of the firehouse and is paid semi-annually in the amount of \$15,071.

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

Year Ended December 31	Firehouse Construction
2019	\$ 32,760
2020	32,760
2021	32,760
2022	32,760
2023	32,760
2024-2028	163,800
2029-2033	64,531
Total	\$ 392,131

10. 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.

11. JOINTLY GOVERNED ORGANIZATIONS

Fairfield Regional Planning Commission – The Township appoints a member of the zoning commission to represent the Township on the 48-member board of the Fairfield Regional Planning Commission. The Townships membership amount was \$792 for 2018. There is no ongoing financial responsibility by the Township.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 60,270	\$ 508,144	\$ -	\$ 568,414
Charges for Services	-	99,967	-	99,967
Licenses, Permits and Fees	-	10,703	-	10,703
Intergovernmental	51,542	148,552	-	200,094
Earnings on Investments	6,530	728	-	7,258
Miscellaneous	19,261	14,695	-	33,956
Total Cash Receipts	<u>137,603</u>	<u>782,789</u>	<u>-</u>	<u>920,392</u>
Cash Disbursements:				
Current:				
General Government	117,851	23,756	-	141,607
Public Safety	-	376,377	-	376,377
Public Works	3,417	337,417	-	340,834
Health	18,815	-	-	18,815
Capital Outlay	-	4,512	162,403	166,915
Debt Service:				
Redemption of Principal	-	21,043	-	21,043
Interest and Other Fiscal Charges	-	11,717	-	11,717
Total Cash Disbursements	<u>140,083</u>	<u>774,822</u>	<u>162,403</u>	<u>1,077,308</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	(2,480)	7,967	(162,403)	(156,916)
Other Cash Financing Receipts (Disbursements)				
Transfers In	-	30,000	59,632	89,632
Transfers Out	(89,632)	-	-	(89,632)
Total Other Cash Financing Receipts (Disbursements)	<u>(89,632)</u>	<u>30,000</u>	<u>59,632</u>	<u>-</u>
Net Change in Fund Cash Balances	(92,112)	37,967	(102,771)	(156,916)
Fund Cash Balances, January 1	<u>1,243,927</u>	<u>688,547</u>	<u>127,902</u>	<u>2,060,376</u>
Fund Cash Balances, December 31				
Restricted	-	724,005	25,131	749,136
Assigned	250	2,509	-	2,759
Unassigned (Deficit)	1,151,565	-	-	1,151,565
Fund Cash Balances, December 31	<u>\$ 1,151,815</u>	<u>\$ 726,514</u>	<u>\$ 25,131</u>	<u>\$ 1,903,460</u>

See notes to financial statements.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

1. REPORTING ENTITY

Description of the Entity

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The Township participates in a public entity risk pool and a jointly governed organization. Note 6 and 11 to the financial statements provides additional information for this entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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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:

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Fire Operating Fund – This fund receives property tax monies to operate the Township's volunteer fire department.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Fund

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant Capital Projects Fund:

Capital Projects Equipment Fund – This fund accounts for receipts restricted to acquiring or constructing major capital projects.

C. 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 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.

D. 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 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 carried over, and need not be reappropriated.

A summary of 2017 appears in Note 3.

E. Deposits and Investments

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

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. 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.

H. Fund Balance

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2017 is as follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 96,940	\$ 137,603	\$ 40,663
Special Revenue	790,260	812,789	22,529
Capital Projects	100,000	59,632	(40,368)
Total	\$ 987,200	\$ 1,010,024	\$ 22,824

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 343,847	\$ 229,965	\$ 113,882
Special Revenue	919,345	777,331	142,014
Capital Projects	200,000	162,403	37,597
Total	\$ 1,463,192	\$ 1,169,699	\$ 293,493

Contrary to ORC 5705.41(D), the Township made expenditures prior to certification.

4. EQUITY IN POOLED CASH

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	\$ 903,460
Certificates of Deposit	1,000,000
Total Deposits	\$ 1,903,460

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

5. 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.

6. RISK MANAGEMENT

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, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

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

	<u>2017</u>
Assets	\$40,010,732
Liabilities	<u>(8,675,465)</u>
Retained Earnings	<u><u>\$31,335,267</u></u>

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 \$8,860.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

6. RISK MANAGEMENT(Continued)

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

2017	\$20,137
2016	19,463
2015	18,839

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.

7. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Some of the Township's full-time employees 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 2017, 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, 2017.

Social Security

Several Township employees contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

9. DEBT

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest rate
Kingston National Bank - Firehouse Construction	\$ 345,336	3.30%
Total	\$ 345,336	

The loan was issued to finance construction of the firehouse and is paid semi-annually in the amount of \$15,071.

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

Year Ended December 31	Firehouse Construction
2018	\$ 32,760
2019	32,760
2020	32,760
2021	32,760
2022	32,760
2023-2027	163,800
2028-2032	97,291
Total	\$ 424,891

10. 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.

11. JOINTLY GOVERNED ORGANIZATIONS

Fairfield Regional Planning Commission – The Township appoints a member of the zoning commission to represent the Township on the 48-member board of the Fairfield Regional Planning Commission. The Townships membership amount was \$792 for 2017. There is no ongoing financial responsibility by the Township.

12. TRANSFERS

Transfers were made from the General Fund in the Amount of \$89,632 which were transferred to the Special Levy Fund in the amount of \$30,000 and \$59,632 to the Capital Projects Equipment Fund. The transfers were used to move receipts from the fund that statute or budget requires to collect them to the fund statute or budget requires to expend them; and to sue unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**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.**

Hocking Township
Fairfield County
1175 Cincinnati-Zanesville Road
Lancaster, Ohio 43724

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 Hocking Township, Fairfield County as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated February 26, 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 Hocking 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 2018-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hocking 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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
February 26, 2019

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Material Weakness – Financial Reporting

As a result of audit procedures, errors were noted that required reclassification to the financial statement as follows:

The following is related to 2017:

- A reclassification was made from Public Safety to Capital Outlay in the amount of \$4,512 in the Fire Operating Fund.
- A reclassification was made from Principal Retirement to Interest and Fiscal Charges in the amount of 11,717 in the Fire Operating Fund.
- A reclassification from Unassigned Fund Balance to Assigned Fund Balance in the amount of \$250 in the General Fund and a reclassification from Restricted Fund Balance to Assigned Fund Balance in the amount of \$2,509 in the Special Revenue Funds for encumbrances outstanding at year end.
- Footnotes filed with the Hinkle System had errors in the cash footnote, budget footnote and risk management footnote, where amounts were not correct or the note was not complete.

The following is related to 2018;

- A reclassification was made from Public Safety to Capital Outlay in the amount of \$19,161 in the Fire Operating Fund and from Public Works to Capital Outlay in the amount of \$9,877 in the Gasoline Tax Fund.
- A reclassification was made from Principal Retirement to Interest and Fiscal Charges in the amount of 11,013 in the Fire Operating Fund.
- A reclassification from Unassigned Fund Balance to Assigned Fund Balance in the amount of \$1,333 in the General Fund and a reclassification from Restricted Fund Balance to Assigned Fund Balance in the amount of \$13,973 in the Special Revenue Funds for encumbrances outstanding at year end.
- Footnotes filed with the Hinkle System had errors in the cash footnote, budget footnote and risk management footnote, where amounts were not correct or the note was not complete.

Sound financial reporting is the responsibility of the Township and is essential to help ensure the information provided to the readers of financial statements is complete and accurate. To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures to identify and correct errors and omissions. In addition, the Township should review the financial statements and notes prior to submission for audit.

Client Response: The Township will closely monitor all transactions and post correctly.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2016-001	Material Weakness Financial Reporting Reclasses	No	Not Corrected: Cited in current report as finding 2018-001

OHIO AUDITOR OF STATE
KEITH FABER



HOCKING TOWNSHIP

FAIRFIELD 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
MAY 9, 2019**