



OHIO AUDITOR OF STATE  
**KEITH FABER**





**DAMASCUS TOWNSHIP  
HENRY COUNTY  
DECEMBER 31, 2018 AND 2017**

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## INDEPENDENT AUDITOR'S REPORT

Damascus Township  
Henry County  
Q-245 County Road 1  
McClure, Ohio 43534

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 Damascus Township, Henry County, Ohio (the Township) 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 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, 2018 and 2017, 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 Damascus Township, Henry County, Ohio 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 our report dated November 5, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

November 5, 2019

**Damascus Township**  
*Henry County, Ohio*  
**Combined Statement of Receipts, Disbursements**  
**and Changes in Fund Balances (Regulatory Cash Basis)**  
*All Governmental Fund Types*  
**For the Year Ended December 31, 2018**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$114,702	\$151,453			\$266,155
Charges for Services		108,705			108,705
Licenses, Permits and Fees	150				150
Intergovernmental	19,224	128,393			147,617
Earnings on Investments	9,791	511	\$225	\$186	10,713
Miscellaneous	178	17,184			17,362
<i>Total Cash Receipts</i>	<u>144,045</u>	<u>406,246</u>	<u>225</u>	<u>186</u>	<u>550,702</u>
<b>Cash Disbursements</b>					
Current:					
General Government	91,491	56,866		81	148,438
Public Safety	422	112,228			112,650
Public Works		15,372			15,372
Health		19,818			19,818
Capital Outlay		149,578	49,634		199,212
<i>Total Cash Disbursements</i>	<u>91,913</u>	<u>353,862</u>	<u>49,634</u>	<u>81</u>	<u>495,490</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>52,132</u>	<u>52,384</u>	<u>(49,409)</u>	<u>105</u>	<u>55,212</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Capital Assets			17,265		17,265
Transfers In		58,000			58,000
Transfers Out	(58,000)				(58,000)
Other Financing Sources		500			500
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(58,000)</u>	<u>58,500</u>	<u>17,265</u>		<u>17,765</u>
<i>Net Change in Fund Cash Balances</i>	(5,868)	110,884	(32,144)	105	72,977
<i>Fund Cash Balances, January 1</i>	<u>867,356</u>	<u>280,223</u>	<u>\$100,609</u>	<u>61,707</u>	<u>1,309,895</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable				25,000	25,000
Restricted		391,107	68,465	36,812	496,384
Unassigned	861,488				861,488
<i>Fund Cash Balances, December 31</i>	<u>\$861,488</u>	<u>\$391,107</u>	<u>\$68,465</u>	<u>\$61,812</u>	<u>\$1,382,872</u>

See accompanying notes to the basic financial statements

**Damascus Township**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Damascus Township, Henry 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, cemetery maintenance, fire protection and emergency medical services.

***Public Entity Risk Pool***

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. Note 7 to the financial statements provide additional information for this entity. 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.

***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:

***2.5 Mil Fire Special Levy Fund*** The 2.5 mil fire levy fund accounts for property tax money restricted for fire protection.

***Ambulance and EMS Fund*** This fund is designed to account for Charges for Services and related expenses for EMS and Ambulances.

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

***Capital Fire Equipment Replacement Fund*** This fund accounts for and reports monies the Township has accumulated for Capital Outlay to replace Fire and EMS related equipment.



**Damascus Township**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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***Permanent Funds*** These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Fund:

***Lowery Trust Fund*** This fund is a permanent endowment trust fund with a nonspendable balance of \$25,000. The remaining amounts are restricted for Cemetery improvements and other charitable causes as the Township sees fit.

***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. Appropriations lapse at year end.

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

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

A summary of 2018 budgetary activity appears in Note 4.

***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.

**Damascus Township**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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***Accumulated Leave***

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

***Fund Balance***

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

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

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

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

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

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

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Compliance**

Contrary to Ohio law, receipts of \$6,300 and \$10,965 from the sale of capital assets were recorded in the Road and Bridge Fund and Emergency Medical Fund, respectively, rather than a Capital Projects Fund for the year ended December 31, 2018.

**Damascus Township**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$135,500	\$144,045	\$8,545
Special Revenue	571,000	464,746	(106,254)
Capital Projects	35,196	17,490	(17,706)
Permanent	25	186	161
Total	\$741,721	\$626,467	(\$97,709)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$162,450	\$149,913	\$12,537
Special Revenue	901,172	353,862	547,310
Capital Projects	50,634	49,634	1,000
Permanent	7,479	81	7,398
Total	\$1,121,735	\$553,490	\$559,847

**Note 5 – 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:

	2018
Demand deposits	\$1,382,872

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 6 – Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**Damascus Township**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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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.

**Note 7 – Risk Management**

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$7,874,610

During 2018, the Township did not make significant changes to coverage from the prior year.

**Note 8 – 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.

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, 2018.

***Social Security***

The Township’s volunteer firemen and rescue personnel contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

**Damascus Township**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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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.

**Note 9 – 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 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

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

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$112,764	\$149,929			\$262,693
Charges for Services		164,686			164,686
Licenses, Permits and Fees	200				200
Intergovernmental	21,641	107,775	\$69,351		198,767
Earnings on Investments	664	57	19	\$137	877
Miscellaneous	251	900			1,151
<i>Total Cash Receipts</i>	<u>135,520</u>	<u>423,347</u>	<u>69,370</u>	<u>137</u>	<u>628,374</u>
<b>Cash Disbursements</b>					
Current:					
General Government	103,141	61,380	100	186	164,807
Public Safety		107,656			107,656
Public Works		75,390			75,390
Health		7,831			7,831
Capital Outlay		227,238	69,351		296,589
<i>Total Cash Disbursements</i>	<u>103,141</u>	<u>479,495</u>	<u>69,451</u>	<u>186</u>	<u>652,273</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>32,379</u>	<u>(56,148)</u>	<u>(81)</u>	<u>(49)</u>	<u>(23,899)</u>
<b>Other Financing Receipts</b>					
Sale of Capital Assets			50,000		50,000
Other Financing Sources		1,400			1,400
<i>Total Other Financing Receipts</i>		<u>1,400</u>	<u>50,000</u>		<u>51,400</u>
<i>Net Change in Fund Cash Balances</i>	32,379	(54,748)	49,919	(49)	27,501
<i>Fund Cash Balances, January 1</i>	<u>834,977</u>	<u>334,971</u>	<u>\$50,690</u>	<u>61,756</u>	<u>1,282,394</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable				25,000	25,000
Restricted		280,223	100,609	36,707	417,539
Assigned	26,950				26,950
Unassigned	840,406				840,406
<i>Fund Cash Balances, December 31</i>	<u>\$867,356</u>	<u>\$280,223</u>	<u>\$100,609</u>	<u>\$61,707</u>	<u>\$1,309,895</u>

See accompanying notes to the basic financial statements

**Damascus Township**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Damascus Township, Henry 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, cemetery maintenance, fire protection and emergency medical services.

***Public Entity Risk Pool***

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. Note 7 to the financial statements provide additional information for this entity. 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.

***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.

***2.5 Mil Fire Special Levy Fund*** The 2.5 mil fire levy fund accounts for property tax money restricted for fire protection and EMS services

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

***OPWC Capital Grants Fund*** This fund accounts for road improvement grant monies received from or spent on behalf of the Township through the Ohio Public's Work's Commission (OPWC).

**Damascus Township**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Permanent Funds** These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Fund:

**Lowery Trust Fund** This fund is a permanent endowment trust fund with a nonspendable balance of \$25,000. The remaining amounts are restricted for Cemetery improvements and other charitable causes as the Township sees fit.

***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 carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 4.

***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.



**Damascus Township**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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***Accumulated Leave***

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

***Fund Balance***

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

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

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

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

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

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

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Compliance**

Contrary to Ohio law, receipts of \$50,000 from the sale of capital assets were recorded in the Special Levy Fire Protection Fund, rather than a Capital Projects Fund for the year ended December 31, 2017.

**Damascus Township**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 4 – Budgetary Activity**

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$143,000	\$135,520	(\$7,480)
Special Revenue	345,000	424,747	79,747
Capital Projects	69,401	119,370	49,969
Permanent	25	137	112
Total	\$557,426	\$679,774	\$72,267

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$130,350	\$103,141	\$27,209
Special Revenue	679,971	493,727	186,244
Capital Projects	119,991	69,451	50,540
Permanent	7,528	186	7,342
Total	\$937,840	\$666,505	\$213,453

**Note 5 – 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	\$1,309,895

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 6 – Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**Damascus Township**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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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.

**Note 7 – Risk Management**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (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.

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.

	<b>2017</b>
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 \$9,000.

**Damascus Township**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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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.

<b><u>2017 Contributions to OTARMA</u></b>
\$20,320

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 8 – 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.

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.

***Social Security***

The Township's volunteer firemen and rescue personnel 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.

**Note 9 – 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 percent during calendar year 2017.



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NorthwestRegion@ohioauditor.gov

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

Damascus Township  
Henry County  
Q-245 County Road 1  
McClure, Ohio 43534

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 Damascus Township, Henry County, Ohio (the Township) 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 November 5, 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider findings 2018-001 and 2018-002 described in the accompanying schedule of findings 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 matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-002.

***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.



Keith Faber  
Auditor of State

Columbus, Ohio

November 5, 2019

**DAMASCUS TOWNSHIP  
HENRY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2018-001**

**Material Weakness – Financial Reporting**

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.

Accurate financial reporting is the responsibility of management and is essential to help ensure the information provided to the readers of the financial statements accurately reflects the Township's activity. The Township should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements.

The following errors required adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2018:

- Ambulance and EMS Services Special Revenue Fund ending fund balance of \$63,710 is required to be classified as restricted rather than assigned in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54 (GASB Cod 1800.168);
- A Permanent Fund was established through a trust, of which \$25,000 was required to be maintained intact as a nonspendable amount in accordance with GASB Statement No. 54 (GASB Cod 1800.166). The remaining balance of \$36,812 was reclassified from nonspendable to restricted as it is restricted to be used for cemetery upkeep and other charitable purposes as deemed appropriate by the trustees;
- The notes to the financial statements the Township filed with the Auditor of State were incomplete, the Township filed the report shell from the Auditor of State's website with no updates to the respective notes.

The following errors required adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2017:

- General Fund assigned fund balance in the amount of \$26,950 for subsequent year appropriations in excess of estimated receipts has been reclassified from unassigned in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54 (GASB Cod 1800.176);
- A Permanent Fund was established through a trust of which \$25,000 was required to be maintained intact as a nonspendable amount in accordance with GASB Statement No. 54 (GASB Cod 1800.166). The remaining balance of \$36,707 was reclassified from nonspendable to restricted as it is restricted to be used for cemetery upkeep and other charitable purposes as deemed appropriate by the trustees;
- Intergovernmental revenues and capital outlay expenditures resulting from on-behalf payments made by the Ohio Public Works Commission (OPWC) totaling \$69,351 were not recorded in the capital projects fund and related appropriations and expenditures were not included in budgetary footnote;
- Capital Outlay disbursements for the purchase of a new truck of \$79,204 in the Permissive Motor Vehicle License Tax Fund were incorrectly posted as a Public Works disbursement;

- The notes to the financial statements the Township filed with the Auditor of State were incomplete, the Township filed the report shell from the Auditor of State's website and attempted to update only the required budgetary note, the other notes were not updated.

These errors were not identified and corrected prior to the Township preparing its financial statements due to deficiencies in the Township's internal controls over financial statement monitoring. Failing to provide accurate financial information could lead to the Board making misinformed decisions. The accompanying financial statements, notes to the financial statements, and, where applicable, the Township's accounting records have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate and to help identify and correct errors and omissions, the Township should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Fiscal Officer and Township Trustees. The Fiscal Officer can refer to Auditor of State Bulletin 2011-004 for information on GASB Statement No. 54.

#### **FINDING NUMBER 2018-002**

##### **Noncompliance and Material Weakness**

**Ohio Rev. Code § 5705.10(F)** requires revenue received from the sale of a permanent improvement to be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements. **Ohio Rev. Code § 5705.01(E)** defines "permanent improvement" or "improvement" to mean "any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more."

- In 2018, the Township inappropriately recorded \$6,300 and \$10,965 from the sale of a capital asset into the Road and Bridge Fund and Emergency Medical Fund, respectively. Given the sources of the revenue, these amounts should have been recorded in a related Capital Projects Fund rather than a Special Revenue Fund.
- In 2017, the Township inappropriately recorded \$50,000 from the sale of a capital asset in the Special Levy Fire Protection Fund. Given the source of the revenue, this should have been recorded in a Capital Projects Fund rather than a Special Revenue Fund.

Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatements.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Township should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

##### **Officials' Response:**

We did not receive a response from Officials to the findings reported above.



# OHIO AUDITOR OF STATE KEITH FABER



**DAMASCUS TOWNSHIP**

**HENRY 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  
DECEMBER 5, 2019**