

JEFFERSON TOWNSHIP
LOGAN COUNTY, OHIO

Audited Financial Statements

For the Years Ended December 31, 2019 and 2018

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Board of Trustees
Jefferson Township
PO Box 10
Zanesfield, OH 43360

We have reviewed the *Independent Auditor's Report* of Jefferson Township, Logan County, prepared by Van Krevel and Company, CPA's, for the audit period January 1, 2018 through December 31, 2019. 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. Jefferson 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

July 6, 2020

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Jefferson Township
Logan County, Ohio

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INDEPENDENT AUDITOR'S REPORT

Jefferson Township
Logan County, Ohio
P O Box 10
Zanesfield, Ohio 43360

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of cash balances, receipts and disbursements by fund type, and related notes of Jefferson Township, Logan County, Ohio, (the Township), as of and for the years ended December 31, 2019 and 2018.

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 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 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States 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 described 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, 2019 and 2018, 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 the related notes of Jefferson Township, Logan County, Ohio, as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Notes 14 and 11 to the financial statements for the years ended December 31, 2019 and 2018, respectively, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2020, 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.

Van Kiewel & Company

Jefferson Township
Logan 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, 2019

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$ 77,882	\$ 128,718		\$ 206,600
Licenses, Permits and Fees	5,249	4,425		9,674
Intergovernmental Receipts	38,606	132,677		171,283
Earnings on Investments	23	1,306		1,329
Miscellaneous		3,550		3,550
Total Cash Receipts	121,760	270,676	-	392,436
Cash Disbursements:				
Current:				
General Government	71,014	39,185		110,199
Public Safety	36,265			36,265
Public Works		157,658		157,658
Health		38,601		38,601
Conservation-Recreation		10,143		10,143
Capital Outlay	2,081	137,713		139,794
Debt Service:				
Redemption of Principal		66,262		66,262
Interest and Other Fiscal Charges		2,360		2,360
Total Cash Disbursements	109,360	451,922	-	561,282
Total Cash Receipts Over/(Under) Cash Disbursements	12,400	(181,246)	-	(168,846)
Other Financing Receipts/(Disbursements):				
Debt Proceeds	-	137,643		137,643
Total Other Financing Receipts/(Disbursements)	-	137,643		137,643
Net Change in Fund Cash Balances	12,400	(43,603)	-	(31,203)
Fund Cash Balances, January 1	104,451	319,143	-	423,594
Fund Cash Balances, December 31	\$ 116,851	\$ 275,540	\$ -	\$ 392,391
Restricted		275,540		275,540
Assigned	58,311			58,311
Unassigned (Deficit)	58,540		-	58,540
Fund Cash Balances, December 31	\$ 116,851	\$ 275,540	\$ -	\$ 392,391

Jefferson Township
 Logan County, Ohio
 Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)
 Fiduciary Fund Type
 For the Year Ended December 31, 2019

	Private Purpose Trust	Totals (Memorandum Only)
Fund Cash Balances, January 1	\$ 809	\$ 809
Fund Cash Balances, December 31	\$ 809	\$ 809

Jefferson Township
Logan County, Ohio

Notes to the Financial Statements
December 31, 2019

NOTE 1 REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Jefferson Township, Logan 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 and park maintenance. The Township is taxing authority for the Dr. Earl Sloan Public Library. This relationship is further discussed in Notes 6 and 11 to the financial statements.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTAMA), a risk-sharing pool available to Ohio townships. Note 7 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.

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 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.

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.

1 General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balances is available to the Township for any purpose, provided it is expended or transferred according to the general laws of Ohio.

2 Special Revenue Funds

These funds account for and report 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:

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

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

Cemetery Fund – This fund receives property tax monies to pay for maintaining the cemeteries located in the Township.

Jefferson Township
Logan County, Ohio

Notes to the Financial Statements
December 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3 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 or other capital assets.

4 Fiduciary Funds

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

The Township's private purpose trust fund is for the upkeep of the donor's graves. The original principal is to be maintained to generate interest income.

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 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 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.

1 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.

2 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.

Jefferson Township
Logan County, Ohio

Notes to the Financial Statements
December 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Process (continued)

3 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 the 2019 budgetary activity appears in Note 4.

Deposits and Investments

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

The Township values Federal Home Loan Mortgage Notes at cost.

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.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unpaid 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.

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance (continued)

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 the 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, budgetary expenditures exceeded appropriation authority in the Gasoline, Road and Bridge, and Cemetery funds by \$45,881, \$45,881 and \$45,881, respectively.

NOTE 4 BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 121,760	\$ 121,760	\$ -
Special Revenue	272,121	408,319	136,198
Capital Projects	-	-	-
Trust	-	-	-
Totals	\$ 393,881	\$ 530,079	\$ 136,198

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2019

NOTE 4 BUDGETARY ACTIVITY (continued)

2019 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 109,360	\$ 109,360	\$ -
Special Revenue	314,598	452,241	(137,643)
Capital Projects	-	-	-
Trust	-	-	-
Totals	\$ 423,958	\$ 561,601	\$ (137,643)

NOTE 5 DEPOSITS AND INVESTMENTS

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

Demand Deposits	2019 \$363,013
Federal Home Loan Mortgage Corporate Notes	30,187
Total Deposits	<u>\$393,200</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township or collateralized by the financial institution’s public entity deposit pool.

Investments: The Federal Reserve holds the Township’s Federal Home Loan Mortgage Corporate Notes in book entry form in the name of the Township’s investment company. The investment company maintains records identifying the Township as owner of these notes. There is interest earned on this investment, but for now the money is restricted and stays in a cash flow account.

NOTE 6 PROPERTY TAX

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.

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

The Township is the taxing authority for the Dr. Earl Sloan Public Library (the Library). As a result, the Township receives property tax and related intergovernmental revenue on behalf of the Library and then distributes to the Library. The receipt and distribution of this money is included in the Property and Other Local Taxes and Intergovernmental Receipts and Intergovernmental Expenditures line items. The Township receives no revenue from this Levy.

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2019

NOTE 7 RISK MANAGEMENT

Risk Pool Membership

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
Automobile liability
Vehicles
Property
Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities at December 31, 2018:

Cash and Investments	\$33,097,416
Actuarial Liabilities	\$ 7,874,610

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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% of their gross salaries, and the Township contributed an amount equal to 14% of the participants' salaries. The Township has paid all contributions required through December 31, 2019.

Social Security

One of the Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

The employee contributed 6.2% of his gross salaries. The Township contributed an amount equal to 6.2% of the participant's gross salary. The Township has paid all contributed required through December 31, 2019.

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2019

NOTE 9 POST-EMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit post-employment 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 4% during calendar year 2019.

NOTE 10 DEBT

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Note Payable-Santander Bank – 2018 International Truck	\$ 20,974	3.1%
Note Payable-Santander Bank - 2020 International Truck	<u>108,638</u>	3.2%
	<u>\$129,612</u>	

In October of 2019, the Township entered into a financing lease with Santander Bank N.A. to purchase of a 2020 International Dump Truck for Township road maintenance, cemetery work and other miscellaneous uses. The total purchase price was \$137,643. The Township is required to make annual payments of \$29,367 starting in 2019 with a maturity date of October, 2023, but may increase the payment if funds are available. The debt, secured by equipment purchased, will be paid from multiple funds due to multiple uses.

In March of 2017, the Township entered into a financing lease with Santander Bank N.A. to purchase a 2018 International Dump Truck for Township road maintenance, cemetery work, and other miscellaneous uses. The purchase price of the new truck was \$112,875 less a down payment of \$30,000 leaving the loan amount of \$82,785. The Township is to make annual principal and interest payments of \$18,129 starting in 2018 with a maturity date of March 2022. The debt, secured by the equipment purchased, will be paid from multiple funds due to the multiple uses.

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

<u>Year Ending December 31,</u>	<u>Notes Payable</u>
2020	\$ 29,367
2021	35,883
2022	47,496
2023	<u>29,367</u>
	<u>\$142,113</u>

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2019

NOTE 11 – RELATED ORGANIZATION

The Dr. Earl Sloan Public Library (the Library) is a distinct political subdivision of the State of Ohio. The Library is governed by a six member Board of Trustees. The Library possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the Township for operational subsidies. Although the Township does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Fiscal Officer at the Dr. Earl Sloan Public Library, 2817 Sandusky Street, Zanesfield, Ohio 43360.

NOTE 12 – RESTATEMENT OF FUND BALANCE

Fund balance in the Special Revenue Fund has been restated for the year beginning January 1, 2019 as corrections were made:

	Special Revenue Fund
Fund Balance at December 31, 2018	\$ 317,697
Adjustment	<u>1,446</u>
Fund Balance at January 1, 2019	<u>\$ 319,143</u>

NOTE 13 STATE EMA FUNDS

During May and June of 2019, Ohio experienced significant rain that caused major flooding that damaged culverts, road, berms, etc.

The Logan County EMA gave each Township the option to receive some of their expenses back. The Township applied for a grant from the State EMA for these expenses. No funds were received in 2019. The Township collected \$12,231 in March 2020 as partial recovery of expenses incurred.

NOTE 14 – SUBSEQUENT EVENT

The United States of America and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. In addition, the impact on the Township's future operating costs, revenues and any recovery from emergency funding, either Federal or State, cannot be estimated.

Jefferson Township
Logan 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

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$ 75,577	\$ 126,032	\$ -	\$ 201,609
Licenses, Permits, and Fees	4,935	4,972		9,907
Intergovernmental Receipts	38,284	114,799	83,299	236,382
Earnings on Investments	22	1,469		1,491
Miscellaneous	852	1,225		2,077
Total Cash Receipts	119,670	248,497	83,299	451,466
Cash Disbursements:				
Current:				
General Government	79,301	38,470		117,771
Public Safety	34,583			34,583
Public Works		176,714		176,714
Health		17,741		17,741
Conservation/Recreation		9,332		9,332
Intergovernmental				-
Capital Outlay		579	83,299	83,878
Debt Service:				
Redemption of Principal		45,839		45,839
Interest and Other Fiscal Charges		3,361		3,361
Total Cash Disbursements	113,884	292,036	83,299	489,219
Total Cash Receipts Over/(Under) Cash Disbursements	5,786	(43,539)	-	(37,753)
Fund Cash Balances, January 1	98,665	362,682		461,347
Fund Cash Balances, December 31	\$ 104,451	\$ 319,143	\$ -	\$ 423,594
Restricted	-	319,143		319,143
Assigned	35,303			35,303
Unassigned (Deficit)	69,148			69,148
Fund Cash Balances, December 31	\$ 104,451	\$ 319,143	\$ -	\$ 423,594

Jefferson Township
 Logan County, Ohio
 Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)
 Fiduciary Fund Type
 For the Year Ended December 31, 2018

	Private Purpose Trust	Totals (Memorandum Only)
Fund Cash Balances, January 1	\$ 809	\$ 809
Fund Cash Balances, December 31	\$ 809	\$ 809

Jefferson Township
Logan County, Ohio

Notes to the Financial Statements
December 31, 2018

NOTE 1 REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Jefferson Township, Logan 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 and park maintenance. The Township is taxing authority for the Dr. Earl Sloan Public Library. This relationship is further discussed in Notes 5 and 10 to the financial statements.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 6 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.

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 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.

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.

1 General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balances is available to the Township for any purpose, provided it is expended or transferred according to the general laws of Ohio.

2 Special Revenue Funds

These funds account for and report 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:

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

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

Cemetery Fund – This fund receives property tax monies to pay for maintaining the cemeteries located in the Township.

Jefferson Township
Logan County, Ohio

Notes to the Financial Statements
December 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting (continued)

3 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 or other capital assets. The Township had the following significant capital project funds.

Public Works Projects – This fund accounts for Issue II money spent on behalf of the Township for maintaining and repairing Township roads.

4 Fiduciary Funds

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

The Township's private purpose trust fund is for the upkeep of the donor's graves. The original principal is to be maintained to generate interest income.

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 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 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.

1 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.

2 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.

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Process (continued)

3 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 the 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

The Township values Federal Home Loan Mortgage Notes at cost.

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.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unpaid 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.

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance (continued)

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 the Township Trustees or a Township official delegated that authority by resolution or by State Statute.

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

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

NOTE 3 BUDGETARY ACTIVITY

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

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 119,670	\$ 119,670	\$ -
Special Revenue	247,053	248,497	1,444
Capital Projects	83,299	83,299	-
Trust	-	-	-
Totals	\$ 450,022	\$ 451,466	\$ 1,444

Jefferson Township
Logan County, Ohio

Notes to Financial Statements

December 31, 2018

NOTE 3 BUDGETARY ACTIVITY (continued)

2018 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 113,884	\$ 113,884	\$ -
Special Revenue	292,036	292,036	-
Capital Projects	83,299	83,299	-
Trust	-	-	-
Totals	\$ 489,219	\$ 489,219	\$ -

NOTE 4 DEPOSITS AND INVESTMENTS

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

Demand Deposits	2018 \$394,216
Federal Home Loan Mortgage Corporate Notes	30,187
Total Deposits	\$424,403

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township or collateralized by the financial institution’s public entity deposit pool.

Investments: The Federal Reserve holds the Township’s Federal Home Loan Mortgage Corporate Notes in book entry form in the name of the Township’s investment company. The investment company maintains records identifying the Township as owner of these notes.

NOTE 5 PROPERTY TAX

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.

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

The Township is the taxing authority for the Dr. Earl Sloan Public Library (the Library). As a result, the Township receives property tax and related intergovernmental revenue on behalf of the Library and then distributes to the Library. The receipt and distribution of this money is included in the Property and Other Local Taxes and Intergovernmental Receipts and General Government Expenditures line items.

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2018

NOTE 6 RISK MANAGEMENT

Risk Pool Membership

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
Automobile liability
Vehicles
Property
Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities at December 31, 2018:

Cash and Investments	\$33,097,416
Actuarial Liabilities	\$ 7,874,610

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 7 DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2018 OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equal to 14% of the participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Social Security

One of the Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

The employee contributed 6.2% of his gross salaries. The Township contributed an amount equal to 6.2% of the participant's gross salary. The Township has paid all contributed required through December 31, 2018.

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2018

NOTE 8 POST-EMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit post-employment plans, which include multiple health care plans, including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2% during calendar year 2018.

NOTE 9 DEBT

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Note Payable-Kansas State Bank	\$ 5,880	2.72%
Note Payable-Santander Bank	<u>52,351</u>	3.10%
	<u>\$58,231</u>	

In December of 2014, the Township entered into a promissory note to purchase a Case loader backhoe for Township road maintenance, cemetery work, and other miscellaneous uses. The Township traded in an old backhoe for \$11,000 and applied the trade-in to the purchase of the new equipment. The purchase price of the new backhoe was \$84,310, less the trade in of \$11,000 and a downpayment of \$10,000 leaving the loan amount of \$63,310. The Township is to make annual principal and interest payments of \$13,714 starting in 2015 with a maturity date of December 2019; however, in 2018, the Township made an annual payment of \$16,200. The debt, secured by the equipment purchased, will be paid from multiple funds due to the multiple uses.

In March of 2017, the Township entered into a financing lease with Santander Bank N.A. to purchase a 2018 International Dump Truck for Township road maintenance, cemetery work, and other miscellaneous uses. The purchase price of the new truck was \$112,875 less a down payment of \$30,000 leaving the loan amount of \$82,785. The Township is to make annual principal and interest payments of \$18,129 starting in 2018 with a maturity date of March 2022. The debt, secured by the equipment purchased, will be paid from multiple funds due to the multiple uses.

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

<u>Year Ending December 31,</u>	<u>Notes Payable</u>
2019	\$ 9,513
2020	18,129
2021	18,129
2022	<u>18,129</u>
	<u>\$63,900</u>

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2018

NOTE 10 – RELATED ORGANIZATION

The Dr. Earl Sloan Public Library (the Library) is a distinct political subdivision of the State of Ohio. The Library is governed by a six member Board of Trustees. The Library possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the Township for operational subsidies. Although the Township does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Fiscal Officer at the Dr. Earl Sloan Public Library, 2817 Sandusky Street, Zanesfield, Ohio 43360.

NOTE 11 – SUBSEQUENT EVENT

The United States of America and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. In addition, the impact on the Township's future operating costs, revenues and any recovery from emergency funding, either Federal or State, cannot be estimated.



CERTIFIED PUBLIC ACCOUNTANTS

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

Jefferson Township
Logan County, Ohio
P O Box 10
Zanesfield, Ohio 43360

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 Jefferson Township, Logan County, Ohio, (the Township), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated June 16, 2020, 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. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

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 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.

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 Finding 2019-001 to be a material weakness.

Jefferson Township
Logan County, Ohio
Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

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 no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

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.

Van Kevel + Company

Dublin, Ohio

June 16, 2020

Jefferson Township
Logan County
Schedule of Findings
December 31, 2019 and 2018

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

Finding Number 2019-001

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 and .A16. In addition, Government Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance to be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The following errors were identified in the accompanying financial statements:

In 2019:

Beginning cash fund balance at January 1, 2019 was understated as follows: Nonexpendable Trust Fund was understated by \$1,446 due to unrecorded earnings in 2018.

Earnings from Investments included \$2,731 of earnings from 2018 and 2019. Earnings from Investments was overstated by \$1,446 which represented the 2018 portion of net interest earned in the Nonexpendable Trust Fund.

In October 2019, the Township obtained a loan in the amount of \$137,643 for the purchase of a 2020 International dump truck; however, the accounting records and financial statements did not reflect the memo activity of \$45,881, \$45,881, and \$45,881 as Debt Proceeds and related Capital Outlay in the Gas Tax, Road and Bridge, and Cemetery Funds, respectively.

Demand deposits reported in Note 5 to the financial statements were reported for 2019 as \$374,360 rather than \$363,013.

Debt disclosures reported in Note 10 to the financial statements were deficient in reporting future amortization of debt, including interest.

In 2018:

Earnings from Investments was understated by \$1,446 Nonexpendable Trust Fund.

Redemption of Principal of \$30,433 and Interest Charges of \$2,567 were posted to Capital Outlay in the Gasoline Tax, Road and Bridge, and Cemetery Funds.

Demand deposits reported in Note 4 to the financial statements were reported for 2018 as \$374,360 rather than \$394,216.

Debt disclosures reported in Note 9 to the financial statements were deficient in reporting future amortization of debt, including interest.

In 2019 and 2018, Assigned Fund Balance within the General Fund in the amounts of \$58,311 and \$35,303 were incorrectly classified as Unassigned Fund Balance at December 31, 2019 and 2018, respectively.

Jefferson Township
Logan County
Schedule of Findings
December 31, 2019 and 2018

Finding Number 2019-001 (continued)

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to the Board of Trustees making misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts.

To help ensure the Townships financial statements and notes to the financial statements are complete and accurate, the Board should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and the Board, to identify and correct errors and omissions. In addition, the Fiscal Officer should review Ohio Auditor of State Audit Bulletin 2011-004 for guidance on GASB Statement No. 54.

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

Jefferson Township
 Logan County
 Schedule of Prior Audit Findings
 December 31, 2017 and 2016

<u>Finding</u>	<u>Description</u>	<u>Fully Corrected</u>	<u>Not Corrected; Partially Corrected; Significantly Different; Corrective Action Taken or Finding No Longer Valid; Explain</u>
2017-001	Financial Reporting	No	Repeated as Finding 2019-001
2017-002	Amended Certificate of Estimated Resources	Yes	Finding No Longer Valid

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OHIO AUDITOR OF STATE KEITH FABER



JEFFERSON TOWNSHIP

LOGAN 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
JULY 16, 2020**