

TROY TOWNSHIP

RICHLAND COUNTY, OHIO

REGULAR AUDIT

For the Years Ended December 31, 2023 and 2022





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Columbus, Ohio 43215
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Board of Trustees
Troy Township
247 South Mill Street
Lexington, Ohio 44904

We have reviewed the *Independent Auditor's Report* of Troy Township, Richland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2022 through December 31, 2023. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

1. FINDING FOR RECOVERY

Ohio Rev. Code § 117.24 requires the Auditor of State to determine whether "public money has been illegally expended, any public money collected has not been accounted for, any public money due has not been collected, or any public property has been converted or misappropriated. . ." Those determinations in an audit report constitute "findings for recovery." Ohio Rev. Code § 9.24(H)(3).

Dean Strohminger was Fiscal officer for the period of April 1, 2012 through February 2023. During that time, he processed the following payments that were determined to be not for a proper public purpose:

- Payroll withholdings were paid late to the Ohio Department of Job and Family Services (ODJFS) resulting in late fees in the amount of \$903.60 for various quarterly returns during 2019, 2020 and 2021.
- Payroll withholdings were paid incorrectly and/or late to the Internal Revenue Service (IRS) resulting in late fees, penalties, and/or interest in the amount of \$1,363.55 for various quarterly returns during 2019 and 2022.
- Payroll withholdings were paid late to the Ohio Public Employees Retirement System (OPERS) resulting in late fees in the amount of \$635.70 for various months during 2020, 2021, 2022 and January 2023.
- A duplicate payment was made to OPERS in November 2022, with the Township able to recover all funds from OPERS except for \$575.64.
- Payroll withholdings were paid late to the State of Ohio resulting in late fees and penalties in the amount of \$1,053.87 for 2019 state income tax, various months during 2022, and January 2023.
- Payroll withholdings were paid late to the Village of Lexington resulting in late fees and penalties in the amount of \$811.86 for August 2020, February 2022, July 2022, and January 2023.
- Late fee payments were made to the Ohio Bureau of Worker's Compensation (BWC) in the amount of \$107 for 2021 and 2022.

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1. FINDING FOR RECOVERY (continued)

- Late fee payments were made to Richland Bank for credit card services in the amount of \$178.88 for various months in 2020 and 2021.
- There were various other payments that were determined to not be a proper public purpose for the Township in the amount of \$1,572.83.

As a result, the Township incurred and paid \$7,202.93 in penalties, late fees, interest, and other improper payments.

The failure to pay withholdings and other payments timely is considered gross negligence. Late payment fees, penalties and interest incurred through gross negligence are illegal expenditures which do not serve a proper public purpose. These late fee charges would have been avoided had the funds been remitted by the required due dates.

The fees for gross negligence and other payments occurring prior to September 13, 2022, were \$4,149.83. Prior to September 13, 2022, a Township fiscal officer as a public official was strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; *Cordray v. Internatl. Preparatory School*, 128 Ohio St.3d 50 (2010).

The fees for gross negligence occurring on or after September 13, 2022, were \$3,053.10. Under Ohio Rev. Code 507.14, for loss of public funds occurring on or after September 13, 2022, a Township fiscal officer shall be liable only when a loss of public funds results from the township fiscal officer's or deputy fiscal officer's negligence or other wrongful act.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.24, a Finding for Recovery for public monies illegally expended is hereby issued against Dean Strohminger in the amount of \$7,202.93, and his bonding companies, Travelers Casualty and Surety Company of America, jointly and severally, in the amount of \$258.40, and Selective Insurance Company of America, jointly and severally, in the amount of \$6,944.53, and in favor of Troy Township, Richland County, General Fund in the amount of \$6,677.01, Gasoline Tax Fund in the amount of \$156.36, Road and Bridge Fund in the amount of \$236.88, and Fire District Fund in the amount of \$132.68.

2. FINDING FOR RECOVERY

Ohio Rev. Code § 5739.02(B)(1) exempts sales to the state or any of its political subdivisions from sales tax.

Due to deficiencies in the Township's internal controls over compliance, the Township paid sales tax totaling \$891.50 on various purchases during 2020, 2021, 2022 and 2023. Fiscal Officer Dean Strohminger signed the checks involving the sales tax. Since the Township was not legally required to pay the sales tax on these purchases, these expenditures were not for a valid public purpose.

Sales tax paid prior to September 13, 2022, were \$603.97. Prior to September 13, 2022, a Township fiscal officer as a public official was strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; *Cordray v. Internatl. Preparatory School*, 128 Ohio St.3d 50 (2010).

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2. FINDING FOR RECOVERY (continued)

Sales tax paid on or after September 13, 2022, were \$287.53. Under Ohio Rev. Code 507.14, for loss of public funds occurring on or after September 13, 2022, a Township fiscal officer shall be liable only when a loss of public funds results from the township fiscal officer's or deputy fiscal officer's negligence or other wrongful act.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.24, a Finding for Recovery for public monies illegally expended is hereby issued against Dean Strohminger in the amount of \$891.50, and his bonding companies, Travelers Casualty and Surety Company of America, jointly and severally, in the amount of \$46.40, and Selective Insurance Company of America, jointly and severally, in the amount of \$845.10, and in favor of Troy Township, Richland County, General Fund in the amount of \$429.87, Motor Vehicle License Tax Fund in the amount of \$192.31, Gasoline Tax Fund in the amount of \$149.83, Road and Bridge Fund in the amount of \$86.16, and Fire District Fund in the amount of \$33.33.

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. Troy Township is responsible for compliance with these laws and regulations.



Keith Faber
Auditor of State
Columbus, Ohio

May 15, 2025

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**TROY TOWNSHIP
RICHLAND COUNTY
Regular Audit
For the Years Ended December 31, 2023 and 2022**

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INDEPENDENT AUDITOR'S REPORT

Troy Township
Richland County
247 S. Mill Street
Lexington, OH 44904

To the Township Trustees:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of Troy Township, Richland County, Ohio (the Township), which comprise the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2023 and 2022, or the changes in financial position for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.

October 18, 2024

Troy Township
Richland 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, 2023

	General	Special Revenue	Combined Total
Cash Receipts			
Property and Other Local Taxes	\$148,350	\$776,471	\$924,821
Charges for Services	-	350,073	350,073
Licenses, Permits and Fees	1,775	7,719	9,494
Intergovernmental	60,494	206,064	266,558
Earnings on Investments	113,535	4,414	117,949
Miscellaneous	1,491	5,455	6,946
<i>Total Cash Receipts</i>	<i>325,645</i>	<i>1,350,196</i>	<i>1,675,841</i>
Cash Disbursements			
Current:			
General Government	238,244	75,004	313,248
Public Safety	-	586,467	586,467
Public Works	4,825	376,578	381,403
Health	-	83,312	83,312
Capital Outlay	117,615	36,383	153,998
Debt Service:			
Principal Retirement	-	71,212	71,212
Interest and Fiscal Charges	-	2,415	2,415
<i>Total Cash Disbursements</i>	<i>360,684</i>	<i>1,231,371</i>	<i>1,592,055</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>(35,039)</i>	<i>118,825</i>	<i>83,786</i>
Other Financing Receipts (Disbursements)			
Transfers In	-	125,000	125,000
Transfers Out	(125,000)	-	(125,000)
Advances In	125,000	-	125,000
Advances Out	-	(125,000)	(125,000)
Other Financing Sources	2,294	-	2,294
<i>Total Other Financing Receipts (Disbursements)</i>	<i>2,294</i>	<i>-</i>	<i>2,294</i>
<i>Net Change in Fund Cash Balances</i>	<i>(32,745)</i>	<i>118,825</i>	<i>86,080</i>
<i>Fund Cash Balances, January 1</i>	<i>1,455,272</i>	<i>2,937,472</i>	<i>4,392,744</i>
<i>Fund Cash Balances, December 31</i>	<i>\$1,422,527</i>	<i>\$3,056,297</i>	<i>\$4,478,824</i>

See accompanying notes to the financial statements

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Troy Township, Richland County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general government services including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Lexington and Perry Township to provide fire services and emergency medical services.

Public Entity Risk Pool and Related Organization

The Township participates in a public entity risk pool and is associated with a related organization. Notes 7 and 11 to the financial statements provide additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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

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

Fire District Fund The fire district fund accounts for and reports the portion of property and other local taxes, intergovernmental revenues, and proceeds from charges for services to provide the residents of the Township with fire safety services.

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2023

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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) 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 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 2023 budgetary activity appears in Note 3.

Deposits and Investments

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

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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.

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2023

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.

SBITAs

The Township has entered into noncancelable Subscription-Based Information Technology Arrangements (SBITA) contracts (as defined by GASB 96) for several types of software including contracts related to financial systems. Subscription disbursements are recognized when they are paid.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 3– Budgetary Activity

Budgetary activity for the year ending December 31, 2023 follows:

2023 Budgeted vs. Actual Receipts			
Fund Type	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$ 268,318	\$ 452,939	\$ 184,621
Special Revenue	1,458,911	1,475,196	16,285

2023 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation	Budgetary	Variance
	Authority	Disbursements	
General	\$ 1,000,000	\$ 491,707	\$ 508,293
Special Revenue	2,927,521	1,370,462	1,557,059

Contrary to Ohio law, the Township did not make proper certification of funds for 18% of the disbursements tested for 2023.

Note 4 – Deposits and Investments

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit and investment accounts are as follows:

		2023
<i>Cash Management Pool:</i>		
Demand deposits		\$1,825,968
Investments:		
STAR Ohio		573,919
CDARS		<u>2,078,937</u>
Total investments		<u>2,652,856</u>
Total deposits and investments		<u><u>\$4,478,824</u></u>

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2023, the Township is holding \$2,092 in unremitted employee payroll withholdings.

Deposits

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

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Investments

Investments in STAR Ohio is not evidenced by securities that exist in physical or book-entry form.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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 March and July.

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 6 – Interfund Balances

There were no outstanding advances at December 31, 2023. However, there was a prior advance that was not repaid from a prior year of \$125,000. The advanced was repaid from the Road and Bridge fund to the General Fund.

Note 7 – Risk Management

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.

The Township is a participant in OPRM but was removed from the preferred rate group due to non-payment of additional premiums due at the time the true-up was filed. We made an application for an adjudication hearing. The hearing was continued until completion of the Local Government Services bank reconciliations were completed. The bank reconciliations were completed and finalized in 2024. We are waiting for the next hearing.

Risk Pool Membership

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and has remain unchanged. OPRM had 801 members as of December 31, 2023.

The Pool's audited financial statements conform with accounting principles generally accepted in the United States of America, with the exception of a qualified opinion related to recording premiums and membership fees earned in full as of December 31, 2023. Those premiums and fees should be earned pro-rata over the individual coverage and membership periods of each policy. The financial statements reported the following assets, liabilities and equity at December 31, 2023.

Assets	\$ 23,113,696
Liabilities	<u>(16,078,587)</u>
Members' Equity	<u><u>\$ 7,035,109</u></u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Township 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 health care 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 equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2023.

Social Security

Some Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2% of participants' gross salaries. The Township has paid all contributions required through December 31, 2023.

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 9 – Postemployment Benefits

Both OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax-free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents. For calendar year 2023, the portion of OPERS employer contributions allocated to health care was 0% for members in the traditional pension plan and 2% for members in the combined plan. For 2023, the portion of employer contributions OPERS allocated to health care for members in the member-directed plan was 4.0%; however, a portion of the health care rate was funded with reserves.

Note 10 – Contingent Liabilities

The Township may be a defendant in lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

Note 11 – Related Organization

The Troy Township Board of Trustees and the Lexington Village Council are responsible for appointing individuals to serve on the Board of Trustees of the Lexington-Troy Twp. Union Cemetery (the Cemetery). The Cemetery hires and fires its own staff. The Township is not financially accountable for the Cemetery; however, the Cemetery is financially dependent on the Township and Village. The Township collects and remits taxes to the Cemetery, which are then used to meet the operating costs of the Cemetery.

Note 12 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

	Special		
Fund Balances	General	Revenue	Total
Outstanding Encumbrances	\$ 6,026	\$ 14,091	\$ 20,117

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts in the special revenue fund include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During 2023, the Township did not receive any COVID-19 funding.

During 2023, the Township spent the balance of their SLFRF/ARPA funds on road repair for the Township.

Troy Township
Richland 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, 2022

	General	Special Revenue	Combined Total
Cash Receipts			
Property and Other Local Taxes	\$196,815	\$749,071	\$945,886
Charges for Services	-	278,991	278,991
Licenses, Permits and Fees	1,246	26,681	27,927
Intergovernmental	25,983	286,795	312,778
Earnings on Investments	38,342	1,470	39,812
Miscellaneous	19,462	3,243	22,705
<i>Total Cash Receipts</i>	<i>281,848</i>	<i>1,346,251</i>	<i>1,628,099</i>
Cash Disbursements			
Current:			
General Government	255,835	11,127	266,962
Public Safety	-	537,396	537,396
Public Works	1,118	340,945	342,063
Health	-	35,739	35,739
Capital Outlay	258,246	94,505	352,751
Debt Service:			
Principal Retirement	-	68,767	68,767
Interest and Fiscal Charges	-	4,975	4,975
<i>Total Cash Disbursements</i>	<i>515,199</i>	<i>1,093,454</i>	<i>1,608,653</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>(233,351)</i>	<i>252,797</i>	<i>19,446</i>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	-	50,000	50,000
Transfers In	-	10,000	10,000
Transfers Out	(10,000)	-	(10,000)
Advances In	200,000	101,000	301,000
Advances Out	(101,000)	(200,000)	(301,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<i>89,000</i>	<i>(39,000)</i>	<i>50,000.00</i>
<i>Net Change in Fund Cash Balances</i>	<i>(144,351)</i>	<i>213,797</i>	<i>69,446</i>
<i>Fund Cash Balances, January 1, Restated</i>	<i>1,599,623</i>	<i>2,723,675</i>	<i>4,323,298</i>
<i>Fund Cash Balances, December 31</i>	<i>\$1,455,272</i>	<i>\$2,937,472</i>	<i>\$4,392,744</i>

See accompanying notes to the financial statements

Troy Township
Richland County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Troy Township, Richland County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general government services, including road and bridge maintenance, fire protection and emergency medical services.

Public Entity Risk Pool and Related Organization

The Township participates in a public entity risk pool and is associated with a related organization. Notes 6 and 11 to the financial statements provide additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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

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

Fire District Fund The fire district fund accounts for and reports that portion of property and other local taxes, intergovernmental revenues, and proceeds from charges for services to provide the residents of the Township with fire safety services.

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 (C). 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).

Troy Township
Richland County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 (C) 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, 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 2022 budgetary activity appears in Note 3.

Deposits and Investments

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

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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 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:

Troy Township
Richland County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2022

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 13.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted		Actual
	Receipts	Receipts	Variance
General	\$ 147,114	\$ 481,848	\$ 334,734
Special Revenue	2,235,444	1,507,251	(728,193)

2022 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation		Budgetary
	Authority	Disbursements	Variance
General	\$ -	\$ 626,199	\$ (626,199)
Special Revenue	-	1,293,454	(1,293,454)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for all funds for the year ended December 31, 2022 because the Township did not submit required budgetary documents to the County Auditor. In addition, the Township did not make the proper certification of funds for 57% of the disbursements tested for 2022.

Troy Township
Richland County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 4 – Deposits and Investments

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit and investment accounts are as follows:

<u>2022</u>	
<i>Cash Management Pool:</i>	
Demand deposits	\$1,407,009
Investments:	
Money Market	415,037
STAR Ohio	544,750
CDARS	<u>2,025,948</u>
Total investments	<u>2,985,735</u>
Total deposits and investments	<u><u>\$4,392,744</u></u>

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2022, the Township does not have any unremitted employee payroll withholdings.

Deposits

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

Investments

Investments in STAR Ohio and the money market are not evidenced by securities that exist in physical or book- entry form.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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 March and July.

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.

Troy Township
Richland County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 6 – Risk Management

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.

Risk Pool Membership

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and has remained unchanged. OPRM had 773 members as of December 31, 2022.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2022.

Assets	\$ 21,662,291
Liabilities	<u>(18,158,351)</u>
Members' Equity	<u><u>\$ 3,503,940</u></u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Township 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 health care 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 equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2022.

Troy Township
Richland County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2022

Social Security

Some Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2% of participants' gross salaries. The Township has paid all contributions required through December 31, 2022.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0% during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0% during calendar year 2022.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 9 – Debt

Debt outstanding at December 31, 2022, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Equipment Bonds, Series 2016	\$ 71,212	3.5%

The Township issued general obligation bonds to finance the purchase of fire equipment for the Township Fire Department. The bonds were issued for a total of \$450,000 on March 28, 2016 at an interest rate of 3.5 percent. The Township repays the bonds out of the Fire District fund. The bonds will mature on April 25, 2023.

Amortization

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

Year ending December 31:	Fire Equipment Bonds, Series 2016
2023	73,627

Troy Township
Richland County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 10 – Contingent Liabilities

The Township may be a defendant in lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

Note 11 – Related Organization

The Troy Township Board of Trustees and the Lexington Village Council are responsible for appointing individuals to serve on the Board of Trustees of the Lexington Union Cemetery (the Cemetery). The Cemetery hires and fires its own staff and does not rely on the Township to finance deficits. The Township is not financially accountable for the Cemetery; however, the Cemetery is financially dependent on the Township and Village. The Township collects and remits taxes to the Cemetery, which are then used to meet the operating costs of the Cemetery. On June 12, 2023, Lexington Union Cemetery in Richland County officially changed its name to Lexington-Troy Twp. Union Cemetery.

Note 12 – Interfund Transactions

Transfers

During 2022, the general fund transferred \$10,000 to the road and bridge special revenue fund to provide additional resources for current operations.

Interfund Balances

The general fund made advances in the amount of \$101,000 to the road and bridge special revenue fund to provide for operations or projects. The road and bridge special revenue fund made repayments to the general fund in the amount of \$200,000. As of December 31, 2022, \$125,000 of advances remain outstanding between the general fund and the road and bridge special revenue fund.

Note 13 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the Township did not have any encumbrances outstanding.

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts in the special revenue fund would include the outstanding encumbrances. In the general fund, outstanding encumbrances would be considered assigned.

In 2022, the beginning fund balance of the Special Revenue fund was increased by \$100,000 and the beginning fund balance of the General fund was decreased by \$100,000 due to an overpayment of an advance return in 2021.

Troy Township
Richland County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency ended in April 2023. During 2022, the Township received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township.

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

Troy Township
Richland County
247 S. Mill Street
Lexington, Ohio 44904

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type of Troy Township, Richland County, (the Township) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2024, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2023-001 and 2023-005, that we consider to be material weaknesses.

*Troy Township
Richland County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards**
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2023-002 through 2023-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 18, 2024.

Township's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Township's responses to the findings identified in our audit and described in the accompanying Corrective Action Plan. The Township's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles E. Harris & Associates, Inc.

October 18, 2024

**TROY TOWNSHIP
RICHLAND COUNTY
SCHEDULE OF FINDINGS
December 31, 2023 and 2022**

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

Finding Number 2023-001 - Material Weakness

Bank Reconciliations

Sound accounting practices require that when designing the public office's system of internal control and specific control activities, management should ensure adequate security and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records. The reconciliation of cash (bank) balances to accounting system records (books) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft, and fraud to occur without timely detection. The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis. The Board is responsible for reviewing the reconciliation and related support.

Throughout 2022 and up to March 2023, the Township did not resolve many differences between the adjusted bank balance and the balance reflected within the Township's accounting records. The annual reports for each year were filed with the Auditor of State with these unresolved differences.

A consultant was contracted to perform the bank reconciliations for both years and identified many adjustments that were required to be posted to the accounting system. There were new financial statements prepared and subsequently submitted to the Auditor of State's office.

Failure to reconcile book balances monthly increases the possibility the Township will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations, including support for adjustments, increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should ensure all transactions are recorded and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be timely investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items).

Officials' Response:

See Corrective Action Plan

**TROY TOWNSHIP
RICHLAND COUNTY
SCHEDULE OF FINDINGS (continued)
December 31, 2023 and 2022**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)

Finding Number: 2023-002- Noncompliance

Certification of Expenditures

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

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

1. "Then and Now Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificates – The Township may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not make the proper certification of funds for 18% and 57% of the disbursements tested for 2023 and 2022, respectively. Incurring obligations prior to the fiscal officer's certification could result in the Township spending more than appropriated and negative cash balances.

**TROY TOWNSHIP
RICHLAND COUNTY
SCHEDULE OF FINDINGS (continued)
December 31, 2023 and 2022**

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

Finding Number: 2023-002- Noncompliance (continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's expenditures exceeding budgetary spending limitations, we recommend that the Township certify expenditures prior to incurring the liability. The Township may use then and now certificates and blanket purchase orders to assist with compliance with the above requirements.

Officials' Response:

See Corrective Action Plan

Finding Number: 2023-003 – Noncompliance

Budgetary Law Violations

Ohio Revised Code Section 5705.39 states, in part, that "... The total appropriations from each fund shall not exceed the total of the estimated resources available for expenditures therefrom, as certified by the budget commission..." It further states that "... no appropriation is official unless filed with the County Budget Commission and certified by the County Auditor." The Township Trustees approved appropriations for 2022 but those resolutions were not filed with the County Budget Commission.

As a result of violations of the budgetary law referenced in the preceding paragraph, the Township expended monies in excess of appropriation authority for all funds in 2022, in violation of Ohio Revised Code 5705.41(B).

We recommend that the Township Trustees and Fiscal Officer establish procedures to ensure that required budgetary documents are not only approved by the Trustees but filed with the County Budget Commission and certified by the County Auditor.

Officials' Response:

See Corrective Action Plan

**TROY TOWNSHIP
RICHLAND COUNTY
SCHEDULE OF FINDINGS (continued)
December 31, 2023 and 2022**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)

Finding Number: 2023-004- Noncompliance

Late Penalties and Interest

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose delineates how the Auditor of State’s Office will question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Ohio Rev. Code § 5747.06(A) provides every employer, including the state and its political subdivision, maintaining an office or transacting business within this state and making payments of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as a result, as far as practicable, in withholding from the employee’s compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and chapter 5748 of the Revised Code with respect to the amount of such compensation included in the employee’s adjusted gross income during the calendar year. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation of the benefit of, the employee.

Ohio Rev. Code § 5747.07(B)(4) provides that except as required by divisions (B)(1), (2), and (3) of this section, an employer shall make the payment of undeposited taxes for each calendar quarter during which they were required to be withheld no later than the last day of the month following the last day of March, June, September, and December each year. The employer shall file the return prescribed by the tax commissioner with the payment.

Ohio Administrative Code § 145-1-28(B) provides that the employer shall transmit for each reporting period subsequent to the date of coverage an amount equal to the applicable percent of each contributor's earnable salary. Both employee contributions to the Ohio Public Employees Retirement System and a corresponding report shall be filed with the system no later than the thirtieth day after the last day of the reporting period for which they are due.

Internal Revenue Service Notice 931 provides that if an employer’s total tax reported for the lookback period was \$50,000 or less, they are a monthly depositor, and accumulated taxes during a calendar month are due by the 15th day of the following month.

Village of Lexington Ordinance Code 173.02 sets the tax rate at 1%. Ordinance Code 173.12 states that required taxes to be deducted and withheld shall make quarterly payments to the Tax Administrator not later than the last day of the month following the last day of each calendar year. Ordinance Code 173.34 states that the interest rate is the federal short-term rate plus 5%. The Village of Lexington governs the rate, withholdings, and penalties, interest, and fees.

**TROY TOWNSHIP
RICHLAND COUNTY
SCHEDULE OF FINDINGS (continued)
December 31, 2023 and 2022**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
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Finding Number: 2023-004- Noncompliance (continued)

The Township failed to timely remit payments by the necessary deadlines to the Internal Revenue Service (IRS), Ohio Public Employees Retirement System, Bureau of Workers Compensation, school district income tax, and local income tax. Between 2020-2023, the Township paid \$479 in interest and penalties to the IRS, \$1,272 in penalties and interest assessed for OPERS, \$347 in penalties to the Ohio State Treasurer, and \$234 in penalties assessed to the Bureau of Workers Compensation. Between 2020-2023, the Township also paid \$1,102 in penalties to the Village of Lexington and \$540 for late reporting penalties and interest for the school district income tax. The late fees, penalties, and interest paid by the Township that were incurred serve no proper public purpose and could have been avoided had the withholdings and payments been made in a timely manner.

In addition, we noted the Township accrued penalties and interest to several agencies/companies for failure to pay bills on time. The most significant payments were to the following:

- Between 2020-2021, the Township paid \$105 in penalties and \$74 in interest to Richland Bank for credit card payments.
- Between 2020-2023, the Township paid \$1,956 in sales tax to various vendors.
- Between 2020-2023, the Township paid \$904 in late fees to ODJFS for untimely remittances.
- The Township also paid \$1,450 of the previous Fiscal Officer's personal federal taxes in 2021.

This matter has been referred to the Auditor of State for further consideration.

We recommend management and the Fiscal Officer implement policies and procedures to withhold and remit taxes and other charges timely to avoid accruing additional penalties and interest. Also, procedures should be implemented for Township management and officials to review all invoices prior to paying to identify any sales tax or other fees not for proper public purpose.

Management Response:

See Corrective Action Plan

**TROY TOWNSHIP
RICHLAND COUNTY
SCHEDULE OF FINDINGS (continued)
December 31, 2023 and 2022**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)

Finding Number: 2023-005- Material Weakness

The Township erroneously recorded numerous transactions during 2023 and 2022. The more significant adjustments are as follows:

- In 2022, the Township posted a \$125,046 NEU Grant as miscellaneous revenue rather than Intergovernmental.
- In 2022, the Township posted \$50,000 for the sale of a road department truck as miscellaneous revenue rather than sale of capital asset.
- In 2022, the Township posted \$236,224 of EMS payments as special assessments revenue rather than charges for services.
- In 2023, the Township posted \$125,046 of road repairs and paving as other financing uses rather than public works.

The accompanying financial statements have been adjusted to properly reflect these transactions.

Sound financial reporting is the responsibility of the Township and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Township adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use the Uniform Accounting Network manual, the Ohio Township Handbook and other Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements.

Management's Response:

See Corrective Action Plan.

**TROY TOWNSHIP
RICHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
For the Years Ended December 31, 2023 and 2022
Prepared by Management**

Finding Number	Finding Summary	Status	Additional Information
2021-001	Material Weakness - Bank Reconciliations	Not Corrected	The Township procured LGS to reconcile Book Balances in 2023 and all adjustments completed for year end 2023 financials.
2021-002	Noncompliance ORC 5705.41(D) - Certification of Expenditures	Not Corrected	Issues resolved with transition to interim fiscal officer in 2023
2021-003	ORC Noncompliance – Various Budgetary Law Violations	Not corrected	Issues resolved with transition to interim fiscal officer in 2023

**TROY TOWNSHIP
RICHLAND COUNTY**

**CORRECTIVE ACTION PLAN
For the Years Ended December 31, 2023 and 2022
Prepared by Management**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-001	The Township procured LGS to reconcile the book balances. All adjustments were received from LGS, recorded in UAN and new financials submitted to the Auditor of State in February 2024.	Completed 01/2024 for 2023 YE financials	Elizabeth A Michalski, Fiscal Officer
2023-002	Fiscal Officer will ensure purchase orders are approved prior to purchasing unless other exceptions can be approved. Then and Now Purchase Orders used if cost under \$3,000 and Resolutions approved by Board within 30 days of expense if over \$3,000.	Completed	Elizabeth A Michalski, Fiscal Officer
2023-003	Fiscal Officer will submit budgeted appropriations to the County Auditor for certification. The 2023 and 2024 Appropriation budgets submitted as required.	Completed	Elizabeth A Michalski, Fiscal Officer
2023-004	This was caused by previous management. Fiscal officer will ensure that all payments are made timely by maintaining monthly calendar documenting required remittance date of payments.	Completed	Elizabeth A Michalski, Fiscal Officer
2023-005	Fiscal Officer will review receipts and disbursements more closely to ensure correct coding using UAN Chart of Account documents for reference.	Completed	Elizabeth A Michalski, Fiscal Officer

OHIO AUDITOR OF STATE KEITH FABER



TROY TOWNSHIP

RICHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/27/2025

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov