



OHIO AUDITOR OF STATE  
**KEITH FABER**





**JEFFERSON TOWNSHIP  
MUSKINGUM COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



PO Box 828  
Athens, Ohio 45701  
(740) 594-3300 or (800) 441-1389  
SoutheastRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

Jefferson Township  
Muskingum County  
1595 Main Street  
Dresden, Ohio 43821

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Jefferson Township, Muskingum 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 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 related notes of Jefferson Township, Muskingum County, Ohio, as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

***Emphasis of Matter***

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may 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 October 6, 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

October 6, 2020

**JEFFERSON TOWNSHIP  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$30,421	\$183,492	\$28,022	\$241,935
Intergovernmental	17,246	115,984	0	133,230
Earnings on Investments	7,631	1,822	0	9,453
Miscellaneous	299	4,395	0	4,694
<i>Total Cash Receipts</i>	<u>55,597</u>	<u>305,693</u>	<u>28,022</u>	<u>389,312</u>
<b>Cash Disbursements</b>				
Current:				
General Government	25,447	5,843	0	31,290
Public Safety	0	75,183	0	75,183
Public Works	0	131,245	0	131,245
Conservation-Recreation	0	22,143	0	22,143
Capital Outlay	0	2,900	0	2,900
Debt Service:				
Principal Retirement	0	0	20,533	20,533
Interest and Fiscal Charges	0	0	7,429	7,429
<i>Total Cash Disbursements</i>	<u>25,447</u>	<u>237,314</u>	<u>27,962</u>	<u>290,723</u>
<i>Excess of Receipts Over Disbursements</i>	<u>30,150</u>	<u>68,379</u>	<u>60</u>	<u>98,589</u>
<b>Other Financing Receipts (Disbursements)</b>				
Advances In	0	0	7,000	7,000
Advances Out	(7,000)	0	0	(7,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(7,000)</u>	<u>0</u>	<u>7,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	23,150	68,379	7,060	98,589
<i>Fund Cash Balances, January 1</i>	<u>104,178</u>	<u>263,575</u>	<u>1,580</u>	<u>369,333</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	265,096	8,640	273,736
Committed	0	66,858	0	66,858
Unassigned	127,328	0	0	127,328
<i>Fund Cash Balances, December 31</i>	<u>\$127,328</u>	<u>\$331,954</u>	<u>\$8,640</u>	<u>\$467,922</u>

*The notes to the financial statements are an integral part of this statement.*

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**Jefferson Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Jefferson Township, Muskingum 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, fire protection and emergency medical services. The Township contracts with the Dresden Village to provide fire services and to provide ambulance services.

***Public Entity Risk Pools***

The Township participates in the Ohio Plan Risk Management Inc. (OPRM), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management plan. Member governments pay annual premiums to fund the Plan. The Plan pays judgement, settlements and other expenses resulting from covered claims exceeding the member's deductible.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

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

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

***Gasoline Tax Fund*** The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Motor Vehicle License Tax Fund*** The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads with the Township.

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

***Fire District Fund*** The fund receives tax money from two concurrent tax levies to pay for Fire and EMS services provided by the Village of Dresden.

**Jefferson Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Debt Service Funds** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

**General Bond Retirement Fund** The fund receives property tax money to pay for the debt service requirements on the 2016 F350 and township building that is used to house road equipment, supplies, tools and the township's administrative offices.

***Basis of Accounting***

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

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

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

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

**Encumbrances** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over and need not be reappropriated.

A summary of 2019 budgetary activity appears in Note 3.

***Capital Assets***

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report items as asset.

***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:

**Jefferson Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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

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

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

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

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

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

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,400	\$55,597	(\$8,803)
Special Revenue	308,400	305,693	(2,707)
Debt Service	28,107	28,022	(85)
Total	\$400,907	\$389,312	(\$11,595)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$178	\$25,893	(\$25,715)
Special Revenue	1,753	239,942	(238,189)
Debt Service	0	27,962	(27,962)
Total	\$1,931	\$293,797	(\$291,866)

**Jefferson Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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Contrary to Ohio Rev. Code §§ 5705.38, 5705.40 and 5705.41(B), the Township did not legally adopt or file annual appropriations with the County Budget Commission in 2019 causing expenditures to exceed appropriations for the entire year.

**Note 4 – Deposits**

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 and investments at December 31 was as follows:

	<u>2019</u>
Demand Deposits	467,922

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

**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 December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**Note 6 – Risk Management**

***Commercial Insurance***

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**Risk Pool Membership**

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

Pursuant to § 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.

**Jefferson Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	<u>( 11,329,011)</u>
Members' Equity	<u>\$ 4,591,493</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

**Note 8 – Postemployment Benefits**

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

**Jefferson Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

**Note 9 – Debt**

Debt outstanding at December 31, 2019, was as follows:

	Principal	Interest Rate
Property	\$155,830	4%
Truck	22,089	2.63%
Total	\$177,919	

The Township has issued general obligation bonds to finance the purchase of a new dump truck and plowing equipment for Township road maintenance and for financing the Township building. The Township's taxing authority collateralized the bonds.

***Amortization***

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

Year Ending	Property General Obligation Bond	Truck General Obligation Bonds
December 31:	Obligation Bond	Bonds
2020	16,110	11,415
2021	16,110	11,415
2022	16,110	
2023	16,110	
2024	16,110	
2025-2029	80,552	
2030-2031	32,220	
Total	\$193,322	\$22,830

**Note 10 – Subsequent Event**

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

**Note 11 – Interfund Balances**

Outstanding advances at December 31, 2019, consisted of \$7,000 advanced to Debt Service funds to provide monies for debt payments.

**JEFFERSON TOWNSHIP  
MUSKINGUM COUNTY**

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

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$28,640	\$108,350	\$28,022	\$165,012
Intergovernmental	16,830	95,578	0	112,408
Earnings on Investments	3,444	1,069	0	4,513
Miscellaneous	1,211	7,894	0	9,105
<i>Total Cash Receipts</i>	<u>50,125</u>	<u>212,891</u>	<u>28,022</u>	<u>291,038</u>
<b>Cash Disbursements</b>				
Current:				
General Government	28,568	6,176	0	34,744
Public Safety	0	37,105	0	37,105
Public Works	0	136,080	0	136,080
Conservation-Recreation	0	40,000	0	40,000
Capital Outlay	0	30,000	0	30,000
Debt Service:				
Principal Retirement	0	0	19,871	19,871
Interest and Fiscal Charges	0	0	8,091	8,091
<i>Total Cash Disbursements</i>	<u>28,568</u>	<u>249,361</u>	<u>27,962</u>	<u>305,891</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>21,557</u>	<u>(36,470)</u>	<u>60</u>	<u>(14,853)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	0	6,543	0	6,543
Advances In	14,000	0	0	14,000
Advances Out	0	0	(14,000)	(14,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>14,000</u>	<u>6,543</u>	<u>(14,000)</u>	<u>6,543</u>
<i>Net Change in Fund Cash Balances</i>	35,557	(29,927)	(13,940)	(8,310)
<i>Fund Cash Balances, January 1</i>	<u>68,621</u>	<u>293,502</u>	<u>15,520</u>	<u>377,643</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	204,251	1,580	205,831
Committed	0	59,324	0	59,324
Unassigned	104,178	0	0	104,178
<i>Fund Cash Balances, December 31</i>	<u><u>\$104,178</u></u>	<u><u>\$263,575</u></u>	<u><u>\$1,580</u></u>	<u><u>\$369,333</u></u>

*The notes to the financial statements are an integral part of this statement.*

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**Jefferson Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 – Reporting Entity**

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**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

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***Motor Vehicle License Tax Fund*** The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads with the Township.

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

***Fire District Fund*** The fund receives tax money from two concurrent tax levies to pay for Fire and EMS services provided by the Village of Dresden.

**Jefferson Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Debt Service Funds** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds.

**General Bond Retirement Fund** The fund receives property tax money to pay for the debt service requirements on the 2016 F350 and township building that is used to house road equipment, supplies, tools and the township's administrative offices.

***Basis of Accounting***

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

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

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

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

**Encumbrances** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried forward and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

***Capital Assets***

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report items as asset.

***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:

**Jefferson Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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

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

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

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

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

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

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,500	\$50,125	(\$7,375)
Special Revenue	219,000	219,434	434
Debt Service	29,000	28,022	(978)
Total	\$305,500	\$297,581	(\$7,919)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,525	\$28,746	\$23,779
Special Revenue	337,583	251,114	86,469
Debt Service	29,000	27,962	1,038
Total	\$419,108	\$307,822	\$111,286

**Jefferson Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 4 – Deposits**

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 and investments at December 31 was as follows:

	<u>2018</u>
Demand Deposits	<u>\$369,333</u>

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

**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 December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**Note 6 – Risk Management**

***Commercial Insurance***

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**Risk Pool Membership**

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

Pursuant to § 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.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty.

**Jefferson Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 – Defined Benefit Pension Plan**

*Ohio Public Employees Retirement System*

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

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

**Note 8 – Postemployment Benefits**

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018.

**Note 9 – Debt**

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
Property	\$165,751	4%
Truck	32,701	2.63%
Total	\$198,452	

The Township has issued general obligation bonds to finance the purchase of a new dump truck and plowing equipment for Township road maintenance and for financing the Township building. The Township's taxing authority collateralized the bonds.

**Jefferson Township**  
*Muskingum County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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***Amortization***

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

Year Ending December 31:	Property General Obligation Bond	Truck General Obligation Bonds
2019	\$16,110	\$11,415
2020	16,110	11,415
2021	16,110	11,415
2022	16,110	
2023	16,110	
2024-2028	80,552	
2029-2031	48,330	
Total	\$209,432	\$34,245

**Note 10 – Subsequent Event**

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

# OHIO AUDITOR OF STATE KEITH FABER



PO Box 828  
Athens, Ohio 45701  
(740) 594-3300 or (800) 441-1389  
SoutheastRegion@ohioauditor.gov

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

Jefferson Township  
Muskingum County  
1595 Main Street  
Dresden, Ohio 43821

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, Muskingum 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 October 6, 2020 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures may 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2019-001 through 2019-003 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2019-002.

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

October 6, 2020



**JEFFERSON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 AND 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2019-001**

**Material Weakness**

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, Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue has external legal constraints as Restricted. GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as Committed. GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. GASB Cod. 1800.177 designates Unassigned fund balance as the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

In 2019, the following significant misstatements were noted:

- Homestead and rollback receipts were posted to General Fund as Taxes, in the amount of \$3,163, instead of General, Road and Bridge and Fire District Funds as Intergovernmental revenue, in the amounts of \$1,004, \$1,460 and \$699, respectively.
- A grant from Muskingum County, in the amount of \$2,500, was classified as Miscellaneous revenue instead of Intergovernmental revenue in the General Fund.
- The Road and Bridge Fund balance, which consisted of millage inside the 10 mill limit, was improperly classified as Restricted rather than Committed, in the amount of \$66,858.
- The General Fund balance was improperly classified as Assigned instead of Unassigned, in the amount of \$127,328.

In 2018, the following significant misstatements were noted:

- Proceeds from the sale of a tractor, in the amount of \$6,543, was classified as Miscellaneous Revenue in the Road and Bridge Fund rather than as Sale of Capital Assets.
- Homestead and rollback receipts were posted to General Fund as Taxes, in the amount of \$2,690, instead of General, Road and Bridge and Fire District Funds as Intergovernmental revenue, in the amounts of \$869, \$1,351 and \$470, respectively.
- The Road and Bridge Fund balance, which consisted of millage inside the 10 mill limit, was improperly classified as Restricted rather than Committed, in the amount of \$59,324.
- The General Fund balance was improperly classified as Assigned instead of Unassigned, in the amount of \$104,178.

In addition, various corrections were necessary to the Township's notes to the financial statements in order for disclosures to be presented in accordance with the Township's accounting basis.

Audit adjustments, with which management has agreed, have been reflected in the accompanying financial statements to correct these misstatements. The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities.

**JEFFERSON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 AND 2018  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2019-001 (Continued)**

**Material Weakness (Continued)**

The Township should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds and accounts. The Fiscal Officer should refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers and annual financial report in order to ensure the Township's year-end financial statements reflect the appropriate sources and uses of the Township's receipts and disbursements. Additionally, the Township should utilize the Auditor of State website to access resources to assist in accurate completion of the notes to the financial statements.

**FINDING NUMBER 2019-002**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. In addition, Ohio Rev. Code § 5705.40 states any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. Furthermore, Ohio Rev. Code § 5705.41(B) states no subdivision is to expend money unless it has been appropriated.

For 2019, although the minutes indicated appropriations were approved, we noted no evidence supporting the amount of appropriations approved by the Board nor were any appropriations filed with the County Auditor. For 2018 we noted appropriations were not filed with the County Auditor until July 11, 2018. The Township approved final appropriations in the minutes, however did not file with the County Auditor until July 11, 2018. As a result, for 2019, budgetary expenditures exceeded appropriation authority at the fund level, for all funds, ranging in amounts from \$1,748 to \$88,622.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

On or about the first day of each fiscal year, the Board of Trustees should pass a temporary appropriation measure for meeting the ordinary expenses of the Township until the permanent measure is adopted prior to April 1. We further recommend the adoption of this measure, and any subsequent amendments, be documented in the minutes and filed with the County Budget Commission.

**FINDING NUMBER 2019-003**

**Material Weakness**

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

**JEFFERSON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 AND 2018  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2019-003 (Continued)**

**Material Weakness (Continued)**

The appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The approved Certificate of Estimated Resources and/or amendments thereof were not properly posted to the accounting system. Estimated receipts in the Township's ledgers did not agree to the amounts as noted on the Township's Amended Official Certificate of Estimated Resources for the General Note Retirement Funds by the amounts of \$7,000 and \$14,011 for 2019 and 2018, respectively. In addition, for 2019, the Township had appropriations posted to the accounting system; however, as noted in Finding No. 2019-002, the Township could not provide any evidence of the amounts approved by the Board.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the notes to the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

**Officials' Response:** We did not receive a response from Officials to the Findings reported above.

**JEFFERSON TOWNSHIP  
MUSKINGUM COUNTY**

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2019 AND 2018**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	Ohio Admin. Code § 117-2-02(A) mis-posting of receipts and fund balance classifications	Re-issued	
2017-002	Ohio Rev. Code 5705.38 (A) –failure to file appropriations timely	Re-issued	
2017-003	Ohio Rev. Code § 5705.39 – Appropriations exceeded estimated revenues	Fully Corrected	
2017-004	Budgetary Posting – Appropriations and Estimated Receipts was not posted to UAN properly	Re-issued	

# OHIO AUDITOR OF STATE KEITH FABER



**JEFFERSON TOWNSHIP**

**MUSKINGUM 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 10/20/2020**

88 East Broad 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](http://www.ohioauditor.gov)