



OHIO AUDITOR OF STATE
KEITH FABER



**JEFFERSON TOWNSHIP
FAYETTE COUNTY
DECEMBER 31, 2019 AND 2018**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Jefferson Township
Fayette County
12245 Compton Road
Jeffersonville, Ohio 43128-9732

To the Board of Trustee:

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, Fayette County, Ohio (the Township) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Emphasis of Matter

As discussed in Note 11 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 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 2, 2020

Jefferson Township

Fayette County, Ohio

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2019

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 57,049	\$ 1,088,474	\$ 1,145,523
Charges for Services	0	95,208	95,208
Licenses, Permits and Fees	0	13,039	13,039
Intergovernmental	21,987	159,364	181,351
Special Assessments	4,491	0	4,491
Earnings on Investments	207	466	673
Miscellaneous	7,929	11,124	19,053
<i>Total Cash Receipts</i>	<u>91,663</u>	<u>1,367,675</u>	<u>1,459,338</u>
Cash Disbursements			
Current:			
General Government	106,247	12,436	118,683
Public Safety	0	860,714	860,714
Public Works	1,773	226,941	228,714
Health	10,247	15,217	25,464
Conservation-Recreation	1,500	0	1,500
Capital Outlay	0	108,674	108,674
Debt Service:			
Principal Retirement	0	86,071	86,071
Interest and Fiscal Charges	0	12,448	12,448
<i>Total Cash Disbursements</i>	<u>119,767</u>	<u>1,322,501</u>	<u>1,442,268</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(28,104)</u>	<u>45,174</u>	<u>17,070</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	5,033	0	5,033
Sale of Bonds	0	150,000	150,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>5,033</u>	<u>150,000</u>	<u>155,033</u>
<i>Net Change in Fund Cash Balances</i>	(23,071)	195,174	172,103
<i>Fund Cash Balances, January 1</i>	<u>248,140</u>	<u>1,765,571</u>	<u>2,013,711</u>
Fund Cash Balances, December 31			
Restricted	0	1,960,745	1,960,745
Unassigned (Deficit)	225,069	0	225,069
<i>Fund Cash Balances, December 31</i>	<u>\$ 225,069</u>	<u>\$ 1,960,745</u>	<u>\$ 2,185,814</u>

See accompanying notes to the basic financial statements

Jefferson Township

Fayette County, Ohio

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*

All Fiduciary Fund Type

For the Year Ended December 31, 2019

	<u>Fiduciary Fund Type</u>
	Private Purpose Trust
<i>Total Cash Receipts</i>	<u>\$ -</u>
<i>Total Cash Disbursements</i>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	<u>-</u>
<i>Fund Cash Balances, January 1</i>	<u>1,625</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,625</u>

See accompanying notes to the basic financial statements

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

Note 1 – Reporting Entity

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

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 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:

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

Road and Bridge Fund The road and bridge fund accounts for and reports the receipt of property taxes and intergovernmental monies for the purpose of constructing, maintaining and repairing Township roads and bridges.

Fire District Fund The fire district fund accounts for and reports the receipt of property tax money, intergovernmental monies and charges for services to pay for the purpose of providing fire protection to the Township residents.

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

The Township’s private purpose trust fund is for the benefit of certain individuals.

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

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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

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

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

A summary of 2018 budgetary activity appears in Note 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.

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.

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
Fayette 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 December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$96,669	\$96,696	\$27
Special Revenue	1,748,326	1,517,675	(230,651)
Private Purpose Trust	0	0	0
Total	\$1,844,995	\$1,614,371	(\$230,624)

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

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$312,021	\$119,767	\$192,254
Special Revenue	3,361,247	1,322,501	2,038,746
Private Purpose Trust	92	0	92
Total	\$3,673,360	\$1,442,268	\$2,231,092

Note 4 – Deposits and Investments

The Township maintains a deposits 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:

	2019
Demand deposits	\$2,186,939
Savings Bond	500
Total deposits and investments	\$2,187,439

Deposits

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

Note 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

Risk Pool Membership

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

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

- General liability and casualty
- Public official's liability
- Cyber
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

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

	<u>2019</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

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 health care 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

Both 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.

Jefferson Township
Fayette 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
US Bank Lease - Ambulance	\$201,543	4.160%
Emergency Services Improvements Bonds, Series 2018	500,000	3.544%
Total	\$701,543	

In September 2018, the Township issued emergency services improvement bonds in the amount of \$350,000 and added an additional \$150,000, during 2019, for a total of \$500,000 in bonds to improve their Emergency Services. The bond was issued through the US Department of Treasury. The Township will pay it back with monies from the Emergency Services Levy with an interest rate of 3.544% for a total amount of \$604,249.

Leases

In August 2018, the Township entered into a lease for purchase of a new ambulance vehicle. The lease was issued in the amount of \$247,000 from US Bank. Payments of \$55,733 are due on August 1 of each year with a maturity date of August 1, 2023. The ambulance serves as collateral on the lease.

Amortization

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

	Emergency Services Bond for Horton Ambulance	Emergency Services Improvements Bonds, Series 2018
Year Ending December 31:		
2020	\$55,733	\$0
2021	55,733	60,425
2022	55,733	60,425
2023	55,733	60,425
2024		60,425
2025-2029		302,125
2030-2034		60,425
Total	\$222,932	\$604,250

Note 10 – Contingent Liabilities

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

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

Note 11 – 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 ensuing emergency measures will impact subsequent periods of the Township. The Township's investments of the pension and other employee benefit plan in which the Township participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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Jefferson Township

Fayette County, Ohio

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2018

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 61,136	\$ 418,798	\$ 479,934
Charges for Services	0	7,300	7,300
Licenses, Permits and Fees	0	11,950	11,950
Intergovernmental	19,620	145,791	165,411
Special Assessments	3,692	0	3,692
Earnings on Investments	68	118	186
Miscellaneous	4,282	4,370	8,652
<i>Total Cash Receipts</i>	<u>88,798</u>	<u>588,327</u>	<u>677,125</u>
Cash Disbursements			
Current:			
General Government	97,032	12,478	109,510
Public Safety	0	231,086	231,086
Public Works	1,600	238,056	239,656
Health	9,848	17,924	27,772
Conservation-Recreation	1,500	0	1,500
Capital Outlay	0	262,261	262,261
Debt Service:			
Principal Retirement	0	38,551	38,551
Interest and Fiscal Charges	0	4,235	4,235
<i>Total Cash Disbursements</i>	<u>109,980</u>	<u>804,591</u>	<u>914,571</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(21,182)</u>	<u>(216,264)</u>	<u>(237,446)</u>
Other Financing Receipts (Disbursements)			
Sale of Bonds	0	350,000	350,000
Other Debt Proceeds	0	247,000	247,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>597,000</u>	<u>597,000</u>
<i>Net Change in Fund Cash Balances</i>	(21,182)	380,736	359,554
<i>Fund Cash Balances, January 1</i>	<u>269,322</u>	<u>1,384,835</u>	<u>1,654,157</u>
Fund Cash Balances, December 31			
Restricted		1,765,571	1,765,571
Assigned	4,481		4,481
Unassigned (Deficit)	243,659	0	243,659
<i>Fund Cash Balances, December 31</i>	<u>\$ 248,140</u>	<u>\$ 1,765,571</u>	<u>\$ 2,013,711</u>

See accompanying footnotes to the basic financial statements.

Jefferson Township

Fayette County, Ohio

Combined Statement of Receipts, Disbursements

and Changes in Fund Balances (Regulatory Cash Basis)

All Fiduciary Fund Types

For the Year Ended December 31, 2018

	<u>Fiduciary Fund Types</u>
	<u>Private Purpose</u>
	<u>Trust</u>
<i>Total Cash Receipts</i>	\$ -
<i>Total Cash Disbursements</i>	-
<i>Net Change in Fund Cash Balances</i>	-
<i>Fund Cash Balances, January 1</i>	1,625
<i>Fund Cash Balances, December 31</i>	\$ 1,625

See accompanying notes to the basic financial statements

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

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Jefferson Township, Fayette County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Fayette County EMS to provide ambulance services.

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 fiduciary fund types which are organized on a fund type basis.

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The Township's private purpose trust fund is for the benefit of certain individuals.

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

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).

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

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

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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

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

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

A summary of 2018 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.

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.

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

Fund Balance

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

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

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

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

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

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

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

Note 3 – Budgetary Activity

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

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

2018 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$88,790	\$88,798	\$8
Special Revenue	943,324	1,185,327	242,003
Private Purpose Trust	0	0	0
Total	\$1,032,114	\$1,274,125	\$242,011

2018 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$337,323	\$109,980	\$227,343
Special Revenue	2,240,795	804,591	1,436,204
Private Purpose Trust	90	0	90
Total	\$2,578,208	\$914,571	\$1,663,637

Note 4 – Deposits and Investments

The Township maintains a deposit 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:

Demand deposits	2018 \$2,014,836
Savings Bonds	500
Total deposits and investments	\$2,015,336

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; 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.

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

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

Risk Pool Membership

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

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

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

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

During 2018, the Township made changes to coverage from prior year by increasing deductible and adding vehicle and building line of coverage.

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

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 health care 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

Both 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:

	<u>Principal</u>	<u>Interest Rate</u>
2008 Fire Pumper Truck Lease	\$40,613	4.582%
US Bank Lease - Ambulance	\$247,000	4.160%
Emergency Services Improvements Bonds, Series 2018	350,000	3.544%
Total	<u>\$637,613</u>	

In September 2018, the Township issued emergency services improvement bonds in the amount of \$350,000 to improve their Emergency Services. The bond was issued through the US Department of Treasury. It will be paid back with monies from the Emergency Services Levy with an interest rate of 3.544% for a total amount of \$369,520.

Leases

In August 2009, the Township entered into a lease for purchase of a new pumper fire truck. The lease was issued in the amount of \$335,000 from Kansas State Bank. Payments of \$42,786 are due on January 31 of each year with a maturity date of January 31, 2019. The pumper truck serves as collateral on the lease.

In August 2018, the Township entered into a lease for purchase of a new ambulance vehicle. The lease was issued in the amount of \$247,000 from US Bank. Payments of \$55,733 are due on August 1 of each year with a maturity date of August 1, 2023. The ambulance serves as collateral on the lease.

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

Amortization

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

Year Ending December 31:	Fire Pumper Lease	Emergency Services Bond for Horton Ambulance	Emergency Services Improvements Bonds, Series 2018
2019	\$42,786	\$55,733	
2020		55,733	369,520
2021		55,733	
2022		55,733	
2023		55,733	
Total	\$42,786	\$278,665	\$369,520

Note 10 – Contingent Liabilities

The Township may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Township’s financial condition.

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OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@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
Fayette County
12245 Compton Road
Jeffersonville, Ohio 43128-9732

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, Fayette County, (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 2, 2020 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or 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 2019-004.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Township's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 2, 2020

**JEFFERSON TOWNSHIP
FAYETTE COUNTY**

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

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

FINDING NUMBER 2019-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Township lacked controls to ensure that transactions were posted accurately. We identified the following posting errors:

2019					
Transaction as Posted (incorrect)			Correct Transaction Posting		
Fund	Account	Amount	Fund	Account	Amount
Fire and Rescue, Ambulance and Emergency Services	Capital Outlay	\$ 241,000	Fire and Rescue, Ambulance and Emergency Services	Capital Outlay	0
	Sale of Notes	\$ 241,000		Sale of Notes	0
The township incorrectly record the lease of an ambulance in 2019; however, the asset was acquired during 2018.					

2018					
Transaction as Posted (incorrect)			Correct Transaction Posting		
Fund	Account	Amount	Fund	Account	Amount
Fire and Rescue, Ambulance and Emergency Services	Capital Outlay	0	Fire and Rescue, Ambulance and Emergency Services	Capital Outlay	\$ 241,000
	Other Debt Proceeds	0		Other Debt Proceeds	\$ 241,000
The township incorrectly record the lease of an ambulance in 2019; however, the asset was acquired during 2018.					
Fire and Rescue, Ambulance and Emergency Services	Miscellaneous	\$ 6,000	Fire and Rescue, Ambulance and Emergency Services	Other Debt Proceeds	\$ 6,000
The Township received the remaining portion of their lease agreement and incorrectly recorded it in Miscellaneous and should have recorded it in Other Debt Proceeds.					

Failure to accurately post and report receipt and expenditure transactions could result in material errors in the Township's financial statements and reduces the ability of the Board to monitor financial activity and to make sound decisions which affect the overall, available cash position of the Township.

**FINDING NUMBER 2019-001
(Continued)**

The Township has corrected the financial statements, and accounting records where appropriate, to address these posting errors.

The Township should review the chart of accounts and the *Annual Financial Report* section (pages II-70 to II-80) in the Ohio Township Manual (available at <http://ohioauditor.gov/publications/TownshipHandbook%202-27-19.pdf>) to ensure that transactions are accurately posted.

Officials' Response:

The Township will review the suggested documents to try and eliminate incorrect postings in the future.

FINDING NUMBER 2019-002

Material Weakness

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and safeguarding of assets against unauthorized acquisition, use or disposition.

The Township contracted with Medical Claims Assistance (MCA) to provide Emergency Medical Service (EMS) billing services. The Township is required to reconcile MCA reports and notify MCA of any errors, omissions, or discrepancies in a timely manner, which is a significant accounting function.

Accurate, timely accounting and reconciliation procedures are key components of an effective accounting system and internal controls required to enable the Township to properly classify transactions, maintain accountability for funds, distribute funds accurately and detect fraud and errors in a timely manner.

The Township obtained the required a Type 2 SOC 1 report, but did not perform a reconciliation of the EMS receipts received by the Township and the monthly detail reports from MCA. If the District is not receiving detailed reports from MCA they should request this information from each MCA.

We recommend that the Township perform reconciliation each month between the amounts received and the detailed reports from MCA. Any noted variance should be investigated. Auditors were able to use alternative procedures to confirm billings paid to the Township agreed to the Township system reports.

Officials' Response:

The EMS division within our township is newly formed and we will be performing monthly reconciliations. The EMS Administrator has obtained the SOC reports and these will be used for this reconciliation.

FINDING NUMBER 2019-003

Material Weakness

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and safeguarding of assets against unauthorized acquisition, use or disposition.

The Township has outsourced fire and vehicle accident service billing and collection, which is a significant accounting function, to Fire Recovery LLC, a third-party administrator. The Township has not established procedures to determine whether this service organization has sufficient controls in place and operating effectively to reasonably assure that fire billing and collections have been authorized and completely and accurately processed in accordance with the contract. Attestation standard (AT-C 320) Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting, prescribes standards for reporting on service organizations. An unmodified Type 2 Report on Management's Description of a Service Organization's System and a Service Auditor's Report on that Description and on the Suitability of the Design and Operating Effectiveness of Controls in accordance with AT-C 320 should provide the Township with reasonable assurance that fire billing claim transactions conform to the contract.

Failing to ensure adequate controls are in place and operating effectively could result in errors occurring without detection.

The Township should require a Type 2 SOC 1 report in its contract with the third-party administrator and should review the SOC 1 report timely. The report should follow the American Institute of Certified Public Accountants' Attestation Standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective state. If the third-party administrator refuses to furnish the Government with a Type 2 SOC 1 report, the Government should contract with a third-party administrator that will provide this report.

In addition, accurately, timely accounting and reconciliation procedures are key components of an effective accounting system and internal controls required to enable the Township to properly classify transactions, maintain accountability for funds, and detect fraud and errors in a timely manner.

The following control deficiencies related to Fire billing receipts were identified during testing:

- The Township did not perform a reconciliation of the fire billing receipts directly deposited in the Township's bank account. The Township did not receive a report of collections. Fire billing receipts were directly deposited into the District's bank account without any information to identify the billing party.
- Runs were not reconciled to any reports provided by the third party billing service

Without a complete and timely reconciliation of service organization provided information to the information entered and processed for billing; unbilled services, and undetected billing errors could occur. To reduce the risk of undetected errors we recommend the following procedures:

- The Fire Chief should verify that all runs have been completely and accurately entered into the database using available run reports.
- The Township should obtain collection reports from the third party billing service and reconcile the Fire billing direct deposit amounts received to the collection reports. Any noted variances should be investigated.

**FINDING NUMBER 2019-003
(Continued)**

- The Township should post Fire billing receipts to the District's accounting system when they are received.

Officials' Response:

The Fire Chief will verify that all Fire runs are entered into the database and request monthly reports from our third party billing service so receipts and charges can be reconciled monthly.

FINDING NUMBER 2019-004

Noncompliance Citation – Finding for Recovery Repaid Under Audit

The Township received Local Government funds from Fayette County in the amount of \$2,441, however, the monies should have been sent and receipted into the Village of Jeffersonville. The County is aware of the situation and correctly disbursed the remaining local government funds to the Village. The amount of Local Government funds received by Jefferson Township in error was the following:

2019 Local Government Funds	\$2,441
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In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public monies due but not collected is hereby issued against Jefferson Township in the amount of \$2,441 in favor of the Village of Jeffersonville.

The finding was repaid by Jefferson Township in the amount of \$2,441 by check number 15895, dated September 23, 2020.

Officials' Response:

This has already been resolved.

OHIO AUDITOR OF STATE KEITH FABER



JEFFERSON TOWNSHIP

FAYETTE 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 11/5/2020

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