



**ELLSWORTH TOWNSHIP
MAHONING COUNTY
Regular Audit
For the Years Ended December 31, 2019 and 2018**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

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OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Ellsworth Township
6036 South Salem Warren Road
Ellsworth, Ohio 44116

We have reviewed the *Independent Auditor's Report* of Ellsworth Township, Mahoning County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Ellsworth Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

December 25, 2020

ELLSWORTH TOWNSHIP
MAHONING COUNTY

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INDEPENDENT AUDITOR'S REPORT

September 4, 2020

Ellsworth Township
Mahoning County
6036 South Salem Warren Road
Ellsworth, Ohio 44116

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 **Ellsworth Township**, Mahoning 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.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
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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 Ellsworth Township, Mahoning County as of December 31, 2019 and 2018, and 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 14 to the 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 September 4, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**ELLSWORTH TOWNSHIP
MAHONING 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) |
|-------------------------------------------------------|------------------|--------------------|-----------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$ 113,017 | \$ 92,867 | \$ - | \$ 205,884 |
| Charges for Services | - | 39,767 | - | 39,767 |
| Licenses, Permits and Fees | 36,367 | 6,375 | - | 42,742 |
| Intergovernmental | 27,003 | 169,296 | - | 196,299 |
| Special Assessments | - | 1,235 | - | 1,235 |
| Earnings on Investments | 5,224 | 4,089 | - | 9,313 |
| Miscellaneous | 12,929 | 17,260 | - | 30,189 |
| <i>Total Cash Receipts</i> | <u>194,540</u> | <u>330,889</u> | <u>-</u> | <u>525,429</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 228,189 | - | - | 228,189 |
| Public Safety | 8,388 | 88,154 | - | 96,542 |
| Public Works | 2,221 | 55,952 | - | 58,173 |
| Health | 16,943 | 12,565 | - | 29,508 |
| Conservation-Recreation | 1,823 | - | - | 1,823 |
| Capital Outlay | 13,402 | 47,379 | - | 60,781 |
| Debt Service: | | | | |
| Principal Retirement | - | 41,561 | - | 41,561 |
| Interest and Fiscal Charges | - | 5,941 | - | 5,941 |
| <i>Total Cash Disbursements</i> | <u>270,966</u> | <u>251,552</u> | <u>-</u> | <u>522,518</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(76,426)</u> | <u>79,337</u> | <u>-</u> | <u>2,911</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | 10,000 | 5,700 | - | 15,700 |
| Transfers Out | (15,700) | - | - | (15,700) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(5,700)</u> | <u>5,700</u> | <u>-</u> | <u>-</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(82,126)</u> | <u>85,037</u> | <u>-</u> | <u>2,911</u> |
| <i>Fund Cash Balances, January 1</i> | <u>151,877</u> | <u>456,512</u> | <u>731</u> | <u>609,120</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | - | 537,728 | 731 | 538,459 |
| Committed | - | 3,821 | - | 3,821 |
| Assigned | 66,545 | - | - | 66,545 |
| Unassigned (Deficit) | 3,206 | - | - | 3,206 |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 69,751</u> | <u>\$ 541,549</u> | <u>\$ 731</u> | <u>\$ 612,031</u> |

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

Ellsworth Township
Mahoning 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 Ellsworth Township, Mahoning County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. A publicly elected Fiscal Officer Maintains the Township funds. The Township provides Township road and bridge maintenance, zoning, cemetery maintenance, fire protection and emergency medical services. The Mahoning County Sheriff's Department provides police protection. The Fire Department is funded by two (2) tax levies.

Public Entity Risk Pools

The Township participates in a public entity risk pool. Note 8 to the financial statements provide additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

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 within the Township.

Fire Fund This fund receives property tax monies to provide Township fire and emergency response services.

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 Fund.

General Bond/Note Retirement Fund This fund received property tax money restricted to satisfying the obligation of a note the Township issued to fund a Chip and Seal Program.

Ellsworth Township
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2019 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Ellsworth Township
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

Note 3 – Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the Motor Vehicle License Tax, Zoning, One Mill Fire Levy, Permissive Motor Vehicle License Tax, Fire and Rescue, Ambulance and EMS, and Special Assessment fund by \$713, \$11,982, \$6,250, \$10,774, \$8,387, and \$888 for the year ended December 31, 2019.

Ellsworth Township
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Budgetary Activity

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

| 2019 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 176,226 | \$ 204,540 | \$ 28,314 |
| Special Revenue | 237,612 | 336,589 | 98,977 |
| Total | \$ 413,838 | \$ 541,129 | \$ 127,291 |

| 2019 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|-------------------------------------------------------|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 344,703 | \$ 291,124 | \$ 53,579 |
| Special Revenue | 663,224 | 252,756 | 410,468 |
| Total | \$ 1,007,927 | \$ 543,880 | \$ 464,047 |

Note 5 – Deposits and Investments

The Township maintains a deposits 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:

| | 2019 |
|-----------------|------------|
| Demand deposits | \$ 612,031 |
| Total deposits | \$ 612,031 |

Deposits

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

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Ellsworth Township
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 – Interfund Balances

Outstanding advances at December 31, 2019, consisted of \$6,600 advanced to the Fire Department fund to provide working capital for operations or projects. It is intended that the funds will be repaid in 2020.

The Township maintains a Special Revenue Zoning Fund. Based on the requirements set forth by *Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions*, the Zoning Fund activity and fund balance must be included as part of the Township’s General Fund. During 2019, the Township transferred a total of \$10,000 from the General Fund to the Zoning Fund. This is shown as an interfund transfer in the General Fund.

Note 8 – Risk Management

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

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

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

| | <u>2019</u> |
|-----------------------|---------------|
| Cash and investments | \$35,207,320 |
| Actuarial liabilities | \$ 10,519,942 |

Workers’ Compensation

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

Health Insurance

The Township has obtained health insurance for eligible employees. Eligible employees include the four elected officials and one full time employee. During 2019, three eligible employees elected to participate in the Township’s health plan; all for self and spousal coverage. The Township has reduced its premiums for 2019 by electing coverage through a Multiple Employer Welfare Arrangement (MEWA) as opposed to ACA Community rating, which was used in the prior years. The Township provides term Life Insurance policies to each of its four elected officials and one full time employee. Each member is insured for \$50,000 and names their own beneficiary.

| Payments for Health Care Insurance and Life Insurance | | |
|-------------------------------------------------------|---------|----------|
| | 2019 | 2018 |
| | \$55,37 | \$77,313 |

Ellsworth Township
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

Note 10 – Postemployment Benefits

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

Note 11 – Debt

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

| | Principal | Interest Rate |
|---------------|------------|---------------|
| ODOT SIB Loan | \$ 100,108 | 3.00% |
| Total | \$ 100,108 | |

During 2015, the Township acquired a direct loan through the Ohio Department of Transportation (ODOT) for a term of 84 months to finance a Chip and Seal Program for Township road maintenance. The loan will begin accruing interest at a rate of 3.00% on August 15, 2016. Payments will be made from the Gas Tax Fund and will begin on February 15, 2018.

Leases

During 2017, the Township came into a capital lease with Stryker Financial to purchase squad monitor, \$30,394, and a four year service agreement, \$5,862, totaling \$36,256. The terms of this lease are pay \$1,030 per month for 36 months totaling \$37,082. The variance between the total payments and the purchase price of the squad monitor and service agreement is allocated to interest.

| Year Ending December 31: | Lease |
|--------------------------|----------|
| 2019 | \$ 2,533 |
| Total | \$ 2,533 |

Ellsworth Township
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 11 – Debt (Continued)

Amortization

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

| Year Ending December 31: | Lease | ODOT SIB Loan |
|-----------------------------|----------|------------------|
| 2020 | \$ 3,090 | \$ 35,143 |
| 2021 | - | 35,143 |
| 2022 | - | 35,143 |
| Total | \$ 3,090 | \$ 105,429 |

Note 12 – Construction and Contractual Commitments

During 2019, the Township contracted with the Joseph Painting Contractors to paint the Town hall for a complete price of \$7,150. Interior renovations were completed by Township employees. Materials and supplies for the interior renovations were \$2,138. All work was completed in 2019 and there are no further financial commitments to the renovation projects.

During 2017, the Township entered into a Financed Lease Agreement with Stryker Sales Corporation for a Physio LifePak 15, which is a patient monitoring system, used on the Township’s ambulance. The 36-month Lease Agreement requires a monthly payment of \$1,030 which includes a \$163 per month maintenance contract. The Agreement will terminate in March 2020, at which time the Township may elect to purchase the monitor for \$1. The Township will then also negotiate a new maintenance agreement. No additional equipment purchasers are anticipated at that time.

Note 13 – Contingent Liabilities

The Township was a defendant in a zoning lawsuit in 2018. The settlement had no material effect on the Township’s financial condition. The Township did pay \$4,680.41 to OTARMA as its share of legal fees.

The Township was the recipient of a 2019 Ohio BWC Safety Grant for the purchase of a Power Cot and Power Load System for its ambulance. The Ohio BWC awarded the Township \$36,005 towards the total project cost of \$48,006. The Township’s contribution is \$12,001. The purchase of the Power Cot and all related expenses will be in 2020. Only the deposit transaction of the \$36,005 occurred in 2019. Amount grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 14 – Subsequent Events

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 impact on the Township’s future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

**ELLSWORTH TOWNSHIP
MAHONING 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) |
|--------------------------------------------------------------|-------------------|--------------------|-----------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$ 111,547 | \$ 91,518 | \$ - | \$ 203,065 |
| Charges for Services | - | 32,897 | - | 32,897 |
| Licenses, Permits and Fees | 32,267 | 5,700 | - | 37,967 |
| Intergovernmental | 25,920 | 114,575 | - | 140,495 |
| Special Assessments | - | 1,325 | - | 1,325 |
| Earnings on Investments | 3,281 | 2,505 | - | 5,786 |
| Miscellaneous | 11,914 | 10,550 | - | 22,464 |
| | <u>184,929</u> | <u>259,070</u> | <u>-</u> | <u>443,999</u> |
| <i>Total Cash Receipts</i> | | | | |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 236,902 | - | - | 236,902 |
| Public Safety | 7,847 | 96,276 | - | 104,123 |
| Public Works | 2,435 | 53,047 | - | 55,482 |
| Health | 16,798 | 15,460 | - | 32,258 |
| Capital Outlay | 15,459 | 118,666 | - | 134,125 |
| Debt Service: | | | | |
| Principal Retirement | - | 40,640 | - | 40,640 |
| Interest and Fiscal Charges | - | 6,863 | - | 6,863 |
| | <u>279,441</u> | <u>330,952</u> | <u>-</u> | <u>610,393</u> |
| <i>Total Cash Disbursements</i> | | | | |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(94,512)</u> | <u>(71,882)</u> | <u>-</u> | <u>(166,394)</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | 6,500 | 10,000 | - | 16,500 |
| Transfers Out | (16,500) | - | - | (16,500) |
| Advances In | - | 6,600 | - | 6,600 |
| Advances Out | (6,600) | - | - | (6,600) |
| | <u>(16,600)</u> | <u>16,600</u> | <u>-</u> | <u>-</u> |
| <i>Total Other Financing Receipts (Disbursements)</i> | | | | |
| <i>Net Change in Fund Cash Balances</i> | <u>(111,112)</u> | <u>(55,282)</u> | <u>-</u> | <u>(166,394)</u> |
| <i>Fund Cash Balances, January 1 (Restated, See note 15)</i> | <u>262,989</u> | <u>511,794</u> | <u>731</u> | <u>775,514</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | - | 447,961 | 731 | 448,692 |
| Committed | - | 8,551 | - | 8,551 |
| Assigned | 151,877 | - | - | 151,877 |
| Unassigned (Deficit) | - | - | - | - |
| | <u>151,877</u> | <u>456,512</u> | <u>731</u> | <u>609,120</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 151,877</u> | <u>\$ 456,512</u> | <u>\$ 731</u> | <u>\$ 609,120</u> |

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

Ellsworth Township
Mahoning 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 Ellsworth Township, Mahoning County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. A publicly elected Fiscal Officer Maintains the Township funds. The Township provides Township road and bridge maintenance, zoning, cemetery maintenance, fire protection and emergency medical services. The Mahoning County Sheriff's Department provides police protection. The Fire Department is funded by two (2) tax levies.

Public Entity Risk Pools

The Township participates in a public entity risk pool. Note 8 to the financial statements provide additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

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 within the Township.

Fire Fund This fund receives property tax monies to provide Township fire and emergency response services.

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 Fund.

General Bond/Note Retirement Fund This fund received property tax money restricted to satisfying the obligation of a note the Township issued to fund a Chip and Seal Program.

Ellsworth Township
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Ellsworth Township
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Cemetery and Zoning fund by \$291 and \$2,300 for the year ended December 31, 2018. Also contrary to Ohio law, appropriations exceeded estimated resources in the General, Motor Vehicle License Tax, Gasoline Tax, Zoning, One Mill Fire Levy, Permissive Motor Vehicle License Tax, Fire and Rescue, Ambulance and EMS, and Special Assessment fund by \$7,016, \$43, \$70,748, \$5,287, \$27,927, \$468, \$5,280 and \$663 for the year ended December 31, 2018.

Ellsworth Township
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Budgetary Activity

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

| 2018 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 176,226 | \$ 191,429 | \$ 15,203 |
| Special Revenue | 237,612 | 265,670 | 28,058 |
| Total | \$ 413,838 | \$ 457,099 | \$ 43,261 |

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|-------------------------------------------------------|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 439,214 | \$ 286,900 | \$ 152,314 |
| Special Revenue | 749,407 | 336,582 | 412,825 |
| Total | \$ 1,188,621 | \$ 623,482 | \$ 565,139 |

Note 5 – Deposits and Investments

The Township maintains a deposits 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:

| | 2018 |
|-----------------|------------|
| Demand deposits | \$ 609,120 |
| Total deposits | \$ 609,120 |

Deposits

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

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Ellsworth Township
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Interfund Balances

Outstanding advances at December 31, 2018, consisted of \$6,600 advanced to the Fire Department fund to provide working capital for operations or projects.

The Township maintains a Special Revenue Zoning Fund. Based on the requirements set forth by *Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions*, the Zoning Fund activity and fund balance must be included as part of the Township’s General Fund. During 2018, the Township transferred a total of \$6,500 from the General Fund to the Zoning Fund. This is shown as an interfund transfer in the General Fund.

Note 8 – Risk Management

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

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

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

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

Workers’ Compensation

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

Health Insurance

The Township has obtained health insurance for eligible employees. Eligible employees include the four elected officials and one full time employee. During 2018, three eligible employees elected to participate in the Township’s health plan. The Township has reduced its premiums for 2019 by electing coverage through a Multiple Employer Welfare Arrangement (MEWA) as opposed to ACA Community rating, which was used in the prior years.

| | |
|-------------------------------------------------------|----------|
| Payments for Health Care Insurance and Life Insurance | |
| | 2018 |
| | \$77,313 |

Ellsworth Township
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 10 – Postemployment Benefits

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

Note 11 – Debt

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

| | <u>Principal</u> | <u>Interest Rate</u> |
|---------------|-------------------|----------------------|
| ODOT SIB Loan | \$ 131,538 | 3.00% |
| Total | <u>\$ 131,538</u> | |

During 2015, the Township acquired a direct loan through the Ohio Department of Transportation (ODOT) for a term of 84 months to finance a Chip and Seal Program for Township road maintenance. The loan will begin accruing interest at a rate of 3.00% on August 15, 2016. Payments will be made from the Gas Tax Fund and will begin on February 15, 2018. It was noted that in the previous audit the ending balance of the loan was understated by \$4,720 which was capitalized interest added to principal.

Ellsworth Township
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 11 – Debt (Continued)

Leases

During 2017, the Township came into a capital lease with Stryker Financial to purchase squad monitor, \$30,394, and a four year service agreement, \$5,862, totaling \$36,256. The terms of this lease are pay \$1,030 per month for 36 months totaling \$37,082. The variance between the total payments and the purchase price of the squad monitor and service agreement is allocated to interest.

| Year Ending December 31: | Lease |
|--------------------------|-----------|
| 2018 | \$ 12,664 |
| Total | \$ 12,664 |

Amortization

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

| Year Ending December 31: | Lease | ODOT SIB Loan |
|-----------------------------|-----------|------------------|
| 2019 | \$ 12,360 | \$ 35,143 |
| 2020 | 3,090 | 35,143 |
| 2021 | - | 35,143 |
| 2022 | - | 35,143 |
| Total | \$ 15,450 | \$ 140,572 |

Note 12 – Construction and Contractual Commitments

In June of 2017, The Township awarded a contract bid to R.T. Vernal, Inc to repair and repave the parking lot of the Township Buildings' Complex. R.T Vernal, Inc. was the only complete bid received by the Township. The award was for \$78,880 plus additional for unforeseen base and pavement depth variations, as well as a new walkway to the Township Pavilion. The full payment of \$85,870 was paid in January 2018.

Note 13 – Contingent Liabilities

The Township was a defendant in a zoning lawsuit. The settlement had no effect on the Township's financial condition.

The Township was the recipient of a 2018 FEMA grant in the amount of \$86,875 for the purchase of Fifteen (15) new Scott Air Packs for the Fire Department. The Township contribution was 10% or \$9,653. Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 14 – Subsequent Events

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 impact on the Township's future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

Ellsworth Township
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 15 – Prior Period Restatement

The following adjustment is reflected in the January 1, 2018 fund balances:

| | General Fund | Special Revenue Funds |
|-------------------------------------------------------------------------------|--------------|-----------------------------|
| December 31, 2017 audited balances | \$ 252,915 | \$ 521,868 |
| To include the Zoning Fund beginning balance in the General Fund per GASB 54. | 10,074 | (10,074) |
| January 1, 2018 balances | \$ 262,989 | \$ 511,794 |

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

September 4, 2020

Ellsworth Township
Mahoning County
6036 South Salem Warren Road
Ellsworth, Ohio 44116

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 **Ellsworth Township**, Mahoning 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 September 4, 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 and we 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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. We consider finding 2019-001 described in the accompanying schedule of findings to be a material weakness.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2019-003 described in the accompanying schedule of findings to be a significant deficiency.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2019-002 and 2019-003.

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 communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

ELLSWORTH TOWNSHIP
MAHONING COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED 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

Posting Receipts, Disbursements and Fund Balances

The Township is responsible for establishing procedures and controls to help prevent and detect errors in financial reporting. Fund balances should be classified based on Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2019 and 2018, receipts, disbursements and fund balances were not always posted or classified correctly. The following posting errors were noted:

- The Zoning fund was recorded as a Special Revenue Fund instead of in the General Fund per GASB 54 in 2019 and 2018;
- A State Grant was recorded as Extraordinary instead of Intergovernmental in the Fire and Rescue, Ambulance and EMS Fund in 2019 and 2018;
- Principal and Interest allocation was recorded as Other Financing Uses in the Gasoline Tax Fund in 2019 and 2018;
- Principal and Interest allocation was recorded as Capital Outlay and Public Safety in the Fire and Rescue, Ambulance and EMS Fund in 2019 and 2018 and;
- The General Fund balance was classified as Unassigned when it should have been Assigned in 2019 and 2018.

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring several reclassification and adjusting entries. The Financial Statements reflect all reclassifications and adjustments. The Township has made these adjustments to their accounting system.

In addition, the cemetery fund balance was classified as committed, rather than restricted. This was not material to the financial statements and has not been adjusted.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Township Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

Management's Response – We did not receive a response from officials to this finding.

ELLSWORTH TOWNSHIP
MAHONING COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-002

Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 20% of the expenditures tested for 2019 and for 14% of the expenditures tested for 2018.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are

ELLSWORTH TOWNSHIP
MAHONING COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-002 (CONTINUED)

Noncompliance (Continued)

or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2019-003

Significant Deficiency/Noncompliance

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Township making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.39 indicating appropriations cannot exceed estimated resources;
- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations);
- Appropriations and Estimated Resources were not reconciled to the accounting system.

In addition, The Township did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Board and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Board to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. We recommend the Township implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

The Board does not monitor for budgetary compliance. Although the Board approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed, submitted to the County Budget Commission timely or that transfers are done in compliance with laws and regulations.

The Board should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Township is complying with applicable sections. We recommend the Township establish a procedure that ensures budgetary forms are submitted to the County accurately and timely. This could include a checklist of forms and due dates.

Management's Response – We did not receive a response from officials to this finding.

**ELLSWORTH TOWNSHIP
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

| Finding Number | Finding Summary | Status | Additional Information |
|----------------|------------------------------------------------------|---------------|------------------------------|
| 2017-001 | Posting Receipts and Disbursements and Fund Balances | Not Corrected | Repeated as Finding 2019-001 |
| 2017-002 | Ohio Revised Code Section 5705.41(D) | Not Corrected | Repeated as Finding 2019-002 |

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OHIO AUDITOR OF STATE KEITH FABER



ELLSWORTH TOWNSHIP

MAHONING 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 1/7/2021

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