

JEFFERSON TOWNSHIP

ASHTABULA COUNTY

Regular Audit

For the Years Ended December 31, 2020 and 2019



OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPARreport@ohioauditor.gov
(800) 282-0370

Board of Trustees
Jefferson Township
335 East Erie Street
Jefferson, Ohio 44047

We have reviewed the *Independent Auditor's Report* of Jefferson Township, Ashtabula County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2019 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

July 20, 2021

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Jefferson Township
Ashtabula County
For the Years Ended December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

Jefferson Township
Ashtabula County
335 E. Erie Street
Jefferson, Ohio 44047

To the Board of Trustees:

Report on the Financial Statements

We have audited the fund financial statements of the cash balances, receipts and disbursements for each governmental fund type and related notes of Jefferson Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2020 and 2019.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of 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 have 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 determined, 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, 2020 and 2019, 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 for each governmental fund type as of and for the years ended December 31, 2020 and 2019 and related notes of the Township 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.

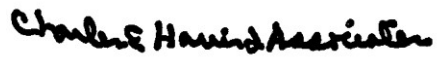
Emphasis of Matters

As discussed in Note 15 and Note 13 to the 2020 and 2019 financial statements, respectively, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

As discussed in Note 14 to the 2020 financial statements, the Township made several changes to its reporting model. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2021, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 22, 2021

Jefferson Township
Ashtabula County
Combined Statement of Receipts, Disbursements, and Changes in
Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Local Taxes	\$ 165,303	\$ 352,649	\$ -	\$ -	\$ 517,952
Licenses, Permits, and Fees	1,842	255	-	-	2,097
Intergovernmental	41,770	276,166	-	87,000	404,936
Special Assessments	-	1,629	-	-	1,629
Earnings on Investments	1,356	-	-	-	1,356
Miscellaneous	2,078	12,734	-	-	14,812
<i>Total Cash Receipts</i>	212,349	643,433	-	87,000	942,782
Cash Disbursements:					
Current:					
General Government	118,444	5,083	-	-	123,527
Public Safety	-	300,597	-	-	300,597
Public Works	1,693	420,765	-	-	422,458
Health	26,377	-	-	-	26,377
Human Services	564	-	-	-	564
Capital Outlay	4,190	3,236	-	87,000	94,426
Debt Service:					
Principal Retirement	4,417	49,962	-	-	54,379
Interest and Other Fiscal Charges	-	3,902	-	-	3,902
<i>Total Cash Disbursements</i>	155,685	783,545	-	87,000	1,026,230
<i>Excess of Receipts Over/(Under) Disbursements</i>	56,664	(140,112)	-	-	(83,448)
Other Financing Receipts/(Disbursements):					
Sale of Capital Assets	-	25,000	-	-	25,000
<i>Total Other Financing Receipts/(Disbursements)</i>	-	25,000	-	-	25,000
<i>Net Change in Fund Cash Balances</i>	56,664	(115,112)	-	-	(58,448)
<i>Fund Cash Balances, January 1</i>	355,995	724,906	3,000	-	1,083,901
<i>Fund Cash Balances, December 31</i>	\$ 412,659	\$ 609,794	\$ 3,000	\$ -	\$ 1,025,453

Jefferson Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Jefferson Township, Ashtabula County, Ohio, (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 Village of Jefferson to provide fire and emergency medical services.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. Note 6 to the financial statements provides additional information for this entity.

Related Organizations

The Township is associated with the Henderson Memorial Library Association, a related organization. Note 13 to the financial statements provides additional information for this entity.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Road and Bridge Fund The road and bridge fund accounts for and reports property tax money restricted for construction, maintenance and repair of roads and bridges within the Township.

Gasoline 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.

Jefferson Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Miscellaneous Debt Service Fund The miscellaneous debt service fund reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. There was no activity in the fund in 2020.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

OPWC Black Sea Road Phase 1 Fund The Township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements 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 disbursements (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 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 2020 budgetary activity appears in Note 3.

Jefferson Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

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. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

Nonspendable The Township classifies assets as nonspendable when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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

Jefferson Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 14.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 220,640	\$ 212,349	\$ (8,291)
Special Revenue	594,102	668,433	74,331
Debt Service	100	-	(100)
Capital Projects	178,300	87,000	(91,300)

2020 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 255,133	\$ 155,685	\$ 99,448
Special Revenue	973,227	783,545	189,682
Debt Service	100	-	100
Capital Projects	178,300	87,000	91,300

Note 4 – Deposits and Investments

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

	2020
Demand Deposits	\$ 833,331
Total Deposits	833,331
STAR Ohio	192,122
Total investments	192,122
Total deposits and investments	\$1,025,453

Jefferson Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Deposits and Investments (continued)

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Township does not have any unremitted employee payroll withholdings.

Deposits

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

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Property Taxes

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

Public utilities are also taxed on personal and real property located within the Township.

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

Note 6 - 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 | - Automobile liability |
| - Public official's liability | - Vehicles |
| - Cyber | - Property |
| - Law enforcement liability | - Equipment breakdown |

Jefferson Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 - Risk Management (continued)

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

	<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.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2020.

Social Security

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

Employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2% of participants' gross salaries. The Township has paid all contributions required through December 31, 2020.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0% during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0% during calendar year 2020.

Jefferson Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 9 – Debt

Debt Outstanding at December 31, 2020 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Doyle Road	\$ 19,810	0%
OPWC Lawyer Road	14,615	0%
Andover Bank - Dump Truck	88,926	3%
Total	\$ 123,351	

The Township issued general obligation notes to finance two OPWC loans, and the purchase of a new dump truck for Township road maintenance. The Township’s taxing authority collateralized the notes.

Amortization

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

Year Ending December 31:	OPWC Loans	Andover Bank - Dump Truck
2021	\$ 8,834	\$ 32,210
2022	8,834	31,276
2023	8,834	30,342
2024	3,962	-
2025	3,961	-
Total	\$ 34,425	\$ 93,828

Note 10 – Construction and Contractual Commitments

OPWC Black Sea Road Phase 2 Project has an outstanding construction commitment as of December 31, 2020 of \$91,200 to be paid by the OPWC grant.

Note 11 – 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 matters will not materially adversely affect the Township’s financial condition.

Note 12 – Public Entity Risk Pool

The Township participates in the Ohio Township Association Group Rating Plan (GRP) for worker’s compensation. Care Works serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Jefferson Township
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 13 – Related Organizations

The constitution and laws of the State of Ohio establish the rights and privileges of the Henderson Memorial Library Association, Ashtabula County, (the Library) as a body corporate and political. Henderson Memorial Public Library Association is a nonprofit Ohio Corporation originally chartered by the Secretary of State of Ohio on July 6, 1883, as a Citizen’s Library Association. According to the articles of incorporation, its goal is “to place good literature within the reach of its members and such persons as shall conform to the rules and regulation of said association.” The Library is directed by a 12- member Board of Trustees. The Board of Trustees are members of the Library Association elected by direct ballot by the Library Association member to staggered four-year terms. The Trustees function as an independent Board subject to the Ohio Revised Code and operates according to its bylaws, although the Library does not have authority to levy taxes or issue bonds. This function must be done through the taxing authority of the Jefferson Township Trustees. The Township collected and distributed to the Library \$149,698 in 2020 in Library Levy funds. Financial information can be obtained from the Henderson Memorial Public Library Association, Ms. Ronni Charles, Fiscal Officer, at 56 E. Jefferson Street, Jefferson Ohio 44047-1198.

Note 14 – Fund Balances

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end, the Township had none of the above fund balances nor encumbrances.

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

Note 15 – Change in Accounting Principle

For 2020, the Township has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, and removing the fund balance classifications from the combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) – all governmental fund types. There was no effect on the beginning fund balance.

Note 16 – COVID-19

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

During 2020, the Township received CARES Act funding. Of the amounts received, \$43,346 was sub granted to other governments and organizations and \$1,620 was spent on-behalf of an organization. These amounts are reflected as public safety and other expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

Jefferson Township
Ashtabula 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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Property and Other Local Taxes	\$ 165,787	\$ 349,418	\$ -	\$ 515,205
Licenses, Permits, and Fees	2,080	-	-	2,080
Intergovernmental	44,477	128,827	-	173,304
Special Assessments	-	1,808	-	1,808
Earnings on Investments	4,369	-	-	4,369
Miscellaneous	20,867	1,000	-	21,867
<i>Total Cash Receipts</i>	237,580	481,053	-	718,633
Cash Disbursements:				
Current:				
General Government	108,288	-	-	108,288
Public Safety	1,428	218,997	-	220,425
Public Works	4,176	192,933	-	197,109
Health	32,125	-	-	32,125
Human Services	696	-	-	696
Capital Outlay	1,307	-	-	1,307
Debt Service:				
Principal Retirement	21,283	152,626	-	173,909
Interest and Other Fiscal Charges	-	31,000	-	31,000
<i>Total Cash Disbursements</i>	169,303	595,556	-	764,859
Excess of Receipts Over/(Under) Disbursements	68,277	(114,503)	-	(46,226)
Other Financing Receipts/(Disbursements):				
Loan Issued	-	148,211	-	148,211
<i>Total Other Financing Receipts/(Disbursements)</i>	-	148,211	-	148,211
<i>Net Change in Fund Cash Balances</i>	68,277	33,708	-	101,985
<i>Fund Cash Balances, January 1</i>	287,718	691,198	3,000	981,916
Fund Cash Balances, December 31				
Restricted	-	724,906	3,000	727,906
Assigned	34,493	-	-	34,493
Unassigned	321,502	-	-	321,502
<i>Fund Cash Balances, December 31</i>	<u>\$ 355,995</u>	<u>\$ 724,906</u>	<u>\$ 3,000</u>	<u>\$ 1,083,901</u>

Jefferson Township
Ashtabula 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 Jefferson Township, Ashtabula County, Ohio, (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 Village of Jefferson to provide fire and emergency medical services.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. Note 6 to the financial statements provides additional information for this entity.

Related Organizations

The Township is associated with the Henderson Memorial Library Association, a related organization. Note 12 to the financial statements provides additional information for this entity.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Road and Bridge Fund The road and bridge fund accounts for and reports property tax money restricted for construction, maintenance and repair of roads and bridges within the Township.

Gasoline 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.

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

Note 2 – Summary of Significant Accounting Policies (continued)

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Miscellaneous Debt Service Fund The miscellaneous debt service fund reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. There was no activity in the fund in 2019.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

Giddings Road Phase 2 Reconstruction The Township received a grant from the State of Ohio for the Giddings Road Phase 2 Reconstruction project.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements 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 disbursements (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 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 2019 budgetary activity appears in Note 3.

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

Note 2 – Summary of Significant Accounting Policies (continued)

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. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

Nonspendable The Township classifies assets as nonspendable when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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 The 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 Trustees or a Township official delegated that authority by resolution, or by State Statute. Council may also assign fund balances as it does when appropriating fund balances to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the general fund.

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

Note 2 – Summary of Significant Accounting Policies (continued)

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 ended December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 209,642	\$ 237,580	\$ 27,938
Special Revenue	470,204	629,264	159,060

2020 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 236,221	\$ 169,303	\$ 66,918
Special Revenue	638,629	595,556	43,073

Note 4 – Deposits and Investments

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

	2019
Demand Deposits	\$ 893,135
Total Deposits	893,135
STAR Ohio	190,766
Total investments	190,766
Total deposits and investments	\$ 1,083,901

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

Note 4 – Deposits and Investments (continued)

Deposits

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

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Property Taxes

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

Public utilities are also taxed on personal and real property located within the Township.

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

Note 6 - 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 | - Automobile liability |
| - Public official's liability | - Vehicles |
| - Cyber | - Property |
| - Law enforcement liability | - Equipment breakdown |

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

Note 6 - Risk Management (continued)

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

	<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.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Social Security

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

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

Note 8 – Postemployment Benefits

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

Jefferson Township
Ashtabula 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
OPWC Doyle Road	\$ 21,791	0.00%
OPWC Lawyer Road	17,051	0.00%
Andover Bank - Tractor	20,320	2.70%
Andover Bank - Dump Truck	118,568	3.15%
Total	\$177,730	

The Township issued general obligation notes for two OPWC loans, and One Tractor loan. The Townships taxing authority collateralized the notes.

Amortization

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

		Andover Bank	
Year Ending December 31:	OPWC Loans	-Tractor / Mower	Andover Bank - Dump Truck
2020	\$ 4,417	\$ 20,732	\$ 33,143
2021	8,834	-	32,210
2022	8,834	-	31,276
2023	8,834	-	30,342
2024	3,962	-	-
2025-2029	3,961	-	-
Total	\$38,842	\$20,732	\$126,971

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 matters will not materially adversely affect the Township’s financial condition.

Note 11 – Public Entity Risk Pool

The Township participates in the Ohio Township Association Group Rating Plan (GRP) for worker’s compensation. Care Works serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

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

Note 12 – Related Organizations

The constitution and laws of the State of Ohio establish the rights and privileges of the Henderson Memorial Library Association, Ashtabula County, (the Library) as a body corporate and political. Henderson Memorial Public Library Association is a nonprofit Ohio Corporation originally chartered by the Secretary of State of Ohio on July 6, 1883, as a Citizen’s Library Association. According to the articles of incorporation, its goal is “to place good literature within the reach of its members and such persons as shall conform to the rules and regulation of said association.” The Library is directed by a 12- member Board of Trustees. The Board of Trustees are members of the Library Association elected by direct ballot by the Library Association member to staggered four year terms. The Trustees function as an independent Board subject to the Ohio Revised Code and operates according to its bylaws, although the Library does not have authority to levy taxes or issue bonds. This function must be done through the taxing authority of the Jefferson Township Trustees. The Township collected and distributed to the Library \$148,897 in 2019 in Library Levy funds. Financial information can be obtained from the Henderson Memorial Public Library Association, Ms. Ronni Charles, Fiscal Officer, at 56 E. Jefferson Street, Jefferson Ohio 44047-1198.

Note 13 – Subsequent Event

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

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

Jefferson Township
Ashtabula County
335 E. Erie Street
Jefferson, Ohio 44047

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2020 and 2019 of Jefferson Township, Ashtabula County (the Township) and the related notes to the financial statements and have issued our report thereon dated June 22, 2021, 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 and several changes to its reporting model.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 22, 2021.

Entity's Response to Finding

The Township's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Township's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Charles E. Harris and Associates, Inc.
June 22, 2021

JEFFERSON TOWNSHIP
ASHTABULA COUNTY

SCHEDULE OF FINDINGS
December 31, 2020 and 2019

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2020-001 – Material Weakness

Fund balance classification and recording of transactions:

The Township erroneously recorded numerous transactions during 2020 and 2019. The more significant adjustments are as follow:

- Recorded Homestead and Rollbacks as property tax revenue rather than intergovernmental revenue in 2019.
- Recorded Homestead and Rollbacks were not posted to the correct funds in 2019. \$14,875 was adjusted out of the General Fund and into the Road and Bridge Fund, Fire Levy Fund, and Henderson Library Funds in the amounts of \$6,307, \$6,013, and \$2,555, respectively.
- In 2019, the Township did not properly classify General Fund subsequent year appropriations exceeding estimated receipts as assigned fund balance in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54.
- In 2019 and 2020, the zoning fund and its activity was not mapped to the General Fund per GASB Statement No. 54.
- In 2019 and 2020, changes were necessary to correct various items in the footnotes.

The accompanying financial statements and the Township's records have been adjusted to properly reflect these transactions. Failure to report transactions correctly results in the financial statements not being accurately presented. We recommend that the Fiscal Officer follow GASB Statement No. 54, Audit Bulletin 2011-004, the Ohio Township Handbook, the UAN manual and other Auditor of State guidance to properly classify its transactions. In addition, we recommend the Fiscal Officer review all financial reports compiled by UAN to ensure their accuracy, including the budgetary information.

Management Response:

See Corrective Action Plan.

JEFFERSON TOWNSHIP
ASHTABULA COUNTY

CORRECTIVE ACTION PLAN
For the Years Ended December 31, 2020 and 2019
Prepared by Management

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	I have taken the necessary steps to correct the issues noted in the finding and will continue to properly post transactions in the future.	Immediately	Corrie Newhart, Fiscal Officer

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OHIO AUDITOR OF STATE KEITH FABER



JEFFERSON TOWNSHIP

ASHTABULA 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 8/3/2021

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