



OHIO AUDITOR OF STATE
KEITH FABER



**DANBURY TOWNSHIP
OTTAWA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2020	5
Statement of Receipts, Disbursements, and Change in Fund Balance (Regulatory Cash Basis) Proprietary Fund Type For the Year Ended December 31, 2020	6
Statement of Additions, Deductions, and Change in Fund Balance (Regulatory Cash Basis) Fiduciary Fund Type For the Year Ended December 31, 2020	7
Notes to the Financial Statements For the Year Ended December 31, 2020	8
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2019	17
Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2019	18
Notes to the Financial Statements For the Year Ended December 31, 2019	19
Independent Auditor's Report on Internal Control Over Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	27
Schedule of Findings	29
Prepared by Management:	
Summary Schedule of Prior Audit Findings	32

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



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

INDEPENDENT AUDITOR'S REPORT

Danbury Township
Ottawa County
5972 East Port Clinton Eastern Road
Marblehead, Ohio 43440-9782

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of Danbury Township, Ottawa County, Ohio (the Township).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2020 and 2019, and the respective changes in financial position or cash flows 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 and proprietary fund type and the fiduciary fund type combined total as of the year ended December 31, 2020 for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 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 6 to the 2020 and 2019 financial statements, the Township has suffered recurring losses from self-insurance operations and has a net deficiency. Note 15 to the 2020 financial statements and Note 13 to the 2019 financial statements also describes management's evaluation of the events and conditions and their plans to mitigate these matters. Our opinion is unmodified regarding this matter.

As discussed in Note 13 of the 2020 financial statements and Note 14 of the 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

As discussed in Note 12 to the 2020 financial statements, during 2020, the Township adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. 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 January 20, 2022 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 20, 2022

This page intentionally left blank.

Danbury Township
Ottawa 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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$456,331	\$1,913,819	\$2,370,150
Charges for Services		162,482	162,482
Licenses, Permits and Fees	108,957	10,229	119,186
Fines and Forfeitures		1,038	1,038
Intergovernmental	61,628	615,338	676,966
Special Assessments	714		714
Earnings on Investments	16,039	2,026	18,065
Miscellaneous	77,338	105,184	182,522
<i>Total Cash Receipts</i>	<u>721,007</u>	<u>2,810,116</u>	<u>3,531,123</u>
Cash Disbursements			
Current:			
General Government	400,588	10,497	411,085
Public Safety		1,926,779	1,926,779
Public Works	19,837	682,451	702,288
Health		4,006	4,006
Conservation-Recreation	31,220		31,220
Debt Service:			
Principal Retirement		13,628	13,628
<i>Total Cash Disbursements</i>	<u>451,645</u>	<u>2,637,361</u>	<u>3,089,006</u>
<i>Net Change in Fund Cash Balances</i>	269,362	172,755	442,117
<i>Fund Cash Balances, January 1</i>	<u>433,060</u>	<u>2,216,391</u>	<u>2,649,451</u>
<i>Fund Cash Balances, December 31</i>	<u>\$702,422</u>	<u>\$2,389,146</u>	<u>\$3,091,568</u>

See accompanying notes to the financial statements

Danbury Township
Ottawa County
Statement of Receipts, Disbursements, and
Change in Fund Balance (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2020

	Proprietary Fund Type
	Internal Service
Operating Cash Receipts	
Charges for Services	\$405,008
Operating Cash Disbursements	
Claims	\$405,008
<i>Net Change in Fund Cash Balance</i>	
<i>Fund Cash Balance, January 1</i>	
<i>Fund Cash Balance, December 31</i>	
<i>See accompanying notes to the financial statements</i>	

Danbury Township
Ottawa County
Statement of Additions, Deductions, and
Change in Fund Balance (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2020

	Fiduciary Fund Type
	Custodial
	Other Custodial
Additions	
Intergovernmental	\$7,080
Deductions	
Other Distributions	\$7,080
<i>Net Change in Fund Cash Balance</i>	
<i>Fund Cash Balance, January 1</i>	
<i>Fund Cash Balance, December 31</i>	

See accompanying notes to the financial statements

Danbury Township
Ottawa 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 Danbury Township, Ottawa 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, park operations, police and fire protection, emergency medical services, and general government services.

Public Entity Risk Pool

Township participates in a public entity risk pool. Note 6 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, a statement of receipts, disbursements, and change in fund balance (regulatory cash basis) for the proprietary fund type, and a statement of additions, deductions, and change in fund balance (regulatory cash basis) for the fiduciary fund type, 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. The Township had the following significant Special Revenue Funds:

Police District Fund The Police District Fund receives property taxes, fines, intergovernmental receipts, and donations for providing police protection for the Township.

Fire & EMS Levy Fund The Fire & EMS Levy Fund receives property taxes, donations, and charges for services from emergency medical services to be used for providing fire and emergency medical services.

Internal Service Fund This fund accounts for services provided by one department to other departments of the government unit. The Township had the following Internal Service Fund:

Danbury Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Self-funded Insurance Medical Fund The self-funded insurance medical fund accounts for insurance premium payments from other funds to pay medical claims of employees enrolled in the health insurance plan.

Fiduciary Funds Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria. The Township did not have any private purpose trust or investment trust funds.

Custodial Funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Township's custodial fund accounts for receipts and corresponding debt service payments from another township within the county to the Ohio Public Works Commission for a joint road project in which the Township serves as the fiscal agent.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. 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 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 Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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

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

A summary of 2020 budgetary activity appears in Note 3.

Deposits and Investments

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

Danbury Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Danbury Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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	\$654,600	\$721,007	\$66,407
Special Revenue	2,638,365	2,810,116	171,751
Internal Service		405,008	405,008
Total	\$3,292,965	\$3,936,131	\$643,166

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,090,473	\$451,645	\$638,828
Special Revenue	4,839,717	2,637,361	2,202,356
Internal Service		405,008	(405,008)
Total	\$5,930,190	\$3,494,014	\$2,436,176

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
<i>Cash Management Pool:</i>	
Demand deposits	\$101,184
Other time deposits (savings accounts)	995,283
Total deposits	1,096,467
STAR Ohio	1,995,101
Total deposits and investments	\$3,091,568

Deposits

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

Investments

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

Danbury Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 is holding \$27,216 in unremitted employee payroll withholdings

Note 5 - Property Taxes

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

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
- 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>2020</u>
Cash and investments	\$36,348,066
Actuarial liabilities	\$10,894,146

Danbury Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Self-Insurance

The Township is also self-insured for employee health insurance. The Self-funded Insurance Medical Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on an actuarially determined cost per employee. Jefferson Health Plan also holds and invests cash from these claims payments that belong to the Township, but are not included in the Township’s financial statements. At June 30, 2020, there was a deficit balance of \$37,436. A comparison of self-insurance activity cash and investments to the actuarially measured liability reported by Jefferson Health Plan as of June 30, 2020 (the latest information available) follows:

	2020
Cash and investments	(\$37,436)
Actuarial liabilities	(\$45,625)

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township’s full-time certified police officers belong to the Ohio Public Employees Retirement System - Law Enforcement (OPERS-LE). Other employees belong to the Ohio Public Employees Retirement System - General (OPERS-G). 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. For 2020 OPERS-LE members contributed 13 percent of their gross salaries and the Township contributed an amount equaling 18.1 percent of participants’ gross salaries. OPERS-G 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, 2020.

Ohio Police and Fire Retirement System

The Township’s full-time certified fire fighters belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 24 percent of full-time fire fighters’ wages. The Township has paid all contributions required through December 31, 2020.

Social Security

Several Township 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, 2020.

Danbury Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 - Debt

Debt outstanding at December 31, 2020 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission - Loan CE41T	\$47,073	0.00%

During 2018, the Township entered into a \$67,246 loan through the Ohio Public Works Commission (OPWC) in accordance with Ohio Rev. Code 164.05 for Quarry Road TR 218 improvements. The loan is interest free and will be repaid in semiannual installments of \$3,362 with the final payment in January 2028.

Amortization

Amortization of the above debt is scheduled as follows:

Year Ending December 31:	OPWC Loan CE41T
2021	\$3,362
2022	6,725
2023	6,725
2024	6,725
2025	6,725
2026-2028	16,811
Total	\$47,073

Note 10 - Contingent Liabilities

The Township is awaiting final accounting from Ohio Public Entity Consortium Health Cooperative (OPECHC), a public entity risk pool for health insurance that the Township belonged to until December 31, 2017. The Township withdrew from this pool effective January 1, 2018. An estimate for run-out claims has been paid. However, any possible final loss is not reasonably estimated currently.

Danbury Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 11 - Fund Balances

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

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$823	\$4,941	\$5,764

The fund balance of Special Revenue funds is restricted or committed. These restricted and committed amounts in the Special Revenue fund would including the outstanding encumbrances. In the General Fund, outstanding encumbrances are considered assigned.

Note 12 - Change in Accounting Principle

For 2020, the Township has made changes to its cash basis reporting model. These changes include adding a separate statement of additions, deductions, and change in fund balance (regulatory cash basis) - fiduciary fund type 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.

The implementation of GASB Statement No. 84 did not have an effect on the fund balance of the governmental and proprietary funds as previously reported. Due to the implementation of GASB Statement No. 84, the new classification of Custodial Fund is reporting a beginning net position of \$0.

Note 13 - COVID-19

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

Note 14 - Compliance

Contrary to Ohio law, the Township did not account for self-insurance activity in an Internal Service Fund.

Note 15 - Management’s Plan to Address Deficit Self-Insurance Position

Jefferson Health Plan members that have a deficit reserve balance at their renewal receive a “supplemental” adjustment to their accrual rates for the next year. This supplemental increase amortizes the deficit over a period of time to allow for repayment of the deficit.

Danbury Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 16 - Subsequent Events

In April, 2021 the Township issued a \$5,038,500 bond and \$1,000,000 note for the construction of a new fire station.

Note 17 - Miscellaneous Receipts

General Fund miscellaneous receipts consisted primarily of proceeds from a tower lease and workers compensation dividends.

Danbury Township
Ottawa 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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$448,728	\$1,890,277	\$2,339,005
Charges for Services		185,164	185,164
Licenses, Permits and Fees	104,668	3,749	108,417
Fines and Forfeitures		3,530	3,530
Intergovernmental	71,474	318,703	390,177
Earnings on Investments	45,967	7,070	53,037
Miscellaneous	43,901	28,539	72,440
<i>Total Cash Receipts</i>	<u>714,738</u>	<u>2,437,032</u>	<u>3,151,770</u>
Cash Disbursements			
Current:			
General Government	344,674		344,674
Public Safety		1,634,102	1,634,102
Public Works	30,786	683,582	714,368
Health	27,912	28,358	56,270
Debt Service:			
Principal Retirement		6,726	6,726
<i>Total Cash Disbursements</i>	<u>403,372</u>	<u>2,352,768</u>	<u>2,756,140</u>
<i>Net Change in Fund Cash Balances</i>	311,366	84,264	395,630
<i>Fund Cash Balances, January 1</i>	<u>121,694</u>	<u>2,132,127</u>	<u>2,253,821</u>
Fund Cash Balances, December 31			
Nonspendable			
Restricted		1,573,191	1,573,191
Committed		643,200	643,200
Assigned	433,060		433,060
<i>Fund Cash Balances, December 31</i>	<u>\$433,060</u>	<u>\$2,216,391</u>	<u>\$2,649,451</u>

See accompanying notes to the financial statements

Danbury Township
Ottawa County
Statement of Receipts, Disbursements, and
Changes in Fund Balances (Regulatory Cash Basis)
Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2019

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Internal Service	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$329,431		\$329,431
Operating Cash Disbursements			
Claims	\$329,431		329,431
<i>Operating Income</i>			
Non-Operating Receipts (Disbursements)			
Intergovernmental		\$7,080	7,080
Principal Retirement		(7,080)	(7,080)
<i>Total Non-Operating Receipts (Disbursements)</i>			
<i>Net Change in Fund Cash Balances</i>			
<i>Fund Cash Balances, January 1</i>			
<i>Fund Cash Balances, December 31</i>			
<i>See accompanying notes to the financial statements</i>			

Danbury Township
Ottawa 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 Danbury Township, Ottawa 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, park operations, police and fire protection, emergency medical services, and general government services.

Public Entity Risk Pool

The Township participates in a public entity risk pool. Note 6 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 and a statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for the proprietary and fiduciary fund types, which are organized on a fund type basis.

Fund Accounting

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

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

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

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

Police District Fund The Police District Fund receives property taxes, fines, intergovernmental receipts, and donations for providing police protection for the Township.

Fire & EMS Levy Fund The Fire & EMS Levy Fund receives property taxes, donations, and charges for services from emergency medical services to be used for providing fire and emergency medical services.

Danbury Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Internal Service Fund This fund accounts for services provided by one department to other departments of the government unit. The Township had the following Internal Service Fund:

Self-funded Insurance Medical Fund The self-funded insurance medical fund accounts for insurance premium payments from other funds to pay medical claims of employees enrolled in the health insurance plan.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township did not have any private purpose trust funds.

Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for receipts and corresponding debt service payments from another township within the county to the Ohio Public Works Commission for a joint road project in which the Township serves as the fiscal agent.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. 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 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 Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

Danbury Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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.

Danbury Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$616,070	\$714,738	\$98,668
Special Revenue	2,326,750	2,437,032	110,282
Internal Service		329,431	329,431
Total	\$2,942,820	\$3,481,201	\$538,381

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$751,433	\$403,372	\$348,061
Special Revenue	4,443,053	2,352,768	2,090,285
Internal Service		329,431	(329,431)
Total	\$5,194,486	\$3,085,571	\$2,108,915

Note 4 - Deposits and Investments

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2019
Demand deposits	\$56,959
Other time deposits (savings accounts)	611,476
Total deposits	668,435
STAR Ohio	1,981,016
Total deposits and investments	\$2,649,451

Deposits

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

Danbury Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Investments

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

Note 5 - Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as intergovernmental receipts. Payments are due to the County by 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.

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
- 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

Danbury Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Self-Insurance

The Township is also self-insured for employee health insurance. The Self-funded Insurance Medical Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on an actuarially determined cost per employee. Jefferson Health Plan also holds and invests cash from these claims payments that belong to the Township, but are not included in the Township's financial statements. At June 30, 2019, there was a deficit balance of \$72,300. A comparison of self-insurance activity cash and investments to the actuarially measured liability reported by Jefferson Health Plan as of June 30, 2019 (the latest information available) follows:

	<u>2019</u>
Cash and investments	(\$72,300)
Actuarial liabilities	(\$86,619)

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township's full-time certified police officers belong to the Ohio Public Employees Retirement System - Law Enforcement (OPERS-LE). Other employees belong to the Ohio Public Employees Retirement System - General (OPERS-G). 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. For 2019 OPERS-LE members contributed 13 percent of their gross salaries and the Township contributed an amount equaling 18.1 percent of participants' gross salaries. OPERS-G 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.

Ohio Police and Fire Retirement System

The Township's full-time certified fire fighters belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 24 percent of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2019.

Social Security

Several Township 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.

Danbury Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 - Debt

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

	Principal	Interest Rate
Ohio Public Works Commission - Loan CE41T	\$57,159	0%

During 2018, the Township entered into a \$67,246 loan through the Ohio Public Works Commission (OPWC) in accordance with Ohio Rev. Code 164.05 for Quarry Road TR 218 improvements. The loan is interest free and will be repaid in semiannual installments of \$3,362 with the final payment in January 2028.

Amortization

Amortization of the above debt is scheduled as follows:

Year Ending December 31:	OPWC Loan CE41T
2020	\$6,725
2021	6,725
2022	6,725
2023	6,725
2024	6,725
2025-2028	23,534
Total	\$57,159

Note 10 - Contingent Liabilities

The Township is awaiting final accounting from Ohio Public Entity Consortium Health Cooperative (OPECHC), a public entity risk pool for health insurance that the Township belonged to until December 31, 2017. The Township withdrew from this pool effective January 1, 2018. An estimate for run-out claims has been paid. However, any possible final loss is not reasonably estimated currently.

Danbury Township
Ottawa County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 11 - Miscellaneous Receipts

General Fund miscellaneous receipts consisted primarily of proceeds from a tower lease and workers compensation dividends.

Note 12 - Compliance

Contrary to Ohio law, the Township did not account for self-insurance activity in an Internal Service Fund.

Note 13 - Management's Plan to Address Deficit Self-Insurance Position

Jefferson Health Plan members that have a deficit reserve balance at their renewal receive a "supplemental" adjustment to their accrual rates for the next year. This supplemental increase amortizes the deficit over a period of time to allow for repayment of the deficit.

Note 14 - 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 may impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.



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

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

Danbury Township
Ottawa County
5972 East Port Clinton Eastern Road
Marblehead, Ohio 43440-9782

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 for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of Danbury Township, Ottawa County, Ohio, (the Township) and have issued our report thereon dated January 20, 2022, 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 Township has suffered recurring losses from self-insurance operations and has a net deficiency at June 30, 2020 and 2019 (the latest information available). In addition, we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Township, and we noted the Township adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* in 2020.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) as a basis for designing 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 material weaknesses 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 a 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 findings 2020-001 and 2020-002 described in the accompanying schedule of findings to be material weaknesses.

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 2020-003 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 financial statements. 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 findings as items 2020-002 and 2020-003.

Township's Response to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

January 20, 2022

**DANBURY TOWNSHIP
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

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

FINDING NUMBER 2020-001

Material Weakness - Financial Reporting

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

The following errors were identified in the accompanying financial statements and notes to the financial statements:

- In 2020, General Fund miscellaneous receipts in the amount of \$63,929 were incorrectly classified as intergovernmental receipts;
- In 2020, Custodial Fund intergovernmental additions and other distributions deductions were each increased in the amount of \$7,080 to properly account for activity related to the Township serving as the fiscal agent for a multi-project loan;
- In 2020, the notes to the financial statements filed in the Hinkle System omitted the Debt note disclosure;
- In 2020, General Fund appropriation authority in the Budgetary Activity note was increased in the amount of \$90,784 in order to bring the amount reported in the notes to the financial statements in line with the authorized budget amount;
- In 2019, General Fund Type unassigned fund balance in the amount of \$433,060 was reclassified to assigned and Special Revenue Fund Type restricted fund balance in the amount of \$643,200 was reclassified to committed in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179); and
- Agency Fund intergovernmental receipts and principal retirement disbursements were each increased in the amount of \$7,080 to properly account for activity related to the Township serving as the fiscal agent for a multi-project loan.

These errors were not identified and corrected prior to the Township preparing its financial statements and notes the financial statements due to deficiencies in the Township's internal controls over financial statement monitoring. The failure to adequately monitor financial statements could allow for misstatements to occur and go undetected. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. In addition to the adjustments noted above, we also identified additional misstatements ranging from \$901 to \$166,678 that we have brought the Township's attention.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Fiscal Officer and Board of Trustees to help identify and correct errors and omissions. The Fiscal Officer can refer to Auditor of State Bulletin 2002-004 at the following website address for information on multi-project Issue 2 grants where the Township acts as the fiscal agent: <https://ohioauditor.gov/publications/bulletins/2002/2002-004.pdf>

Officials' Response:

The Township agrees with your findings and recommendations. We have no desire to challenge them. The Fiscal Officer will make the appropriate corrections.

FINDING NUMBER 2020-002

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 9.833 requires self-insured governments to establish a special fund to account for self-insurance activity. It also requires self-insured governments to calculate amounts required to cover health care benefit liabilities. Finally, it requires programs to prepare (or obtain) a report, reflecting reserves and the aggregate of disbursements made to pay self-insured claims, legal, and consultant costs during the preceding year. Management is responsible for establishing control and monitoring procedures over the financial reporting process to ensure all activity is properly included and accounted for.

The Township belongs to a “claims servicing pool” for their medical insurance, in which their activity is accounted for in separate accounts/funds, but the total “pool’s” cash is pooled and invested. No risk is transferred to the “pool” under \$500,000. This is considered self-insured, and would require an Internal Service Fund.

The Township accounted for its medical self-insurance in the General and Special Revenue Fund Types as claims payments paid directly to Jefferson Health Plan. As a result of these errors, Internal Service Fund Type revenues and expenditures, including actual receipts and budgetary expenditures in the Budgetary Activity Note, were all understated in the amount of \$405,008 during 2020 and \$329,431 during 2019.

Additionally, because the Township failed to account for this activity in an Internal Service Fund, the Township also failed to properly budget for this activity and disclose the self-insurance activity in the notes to the financial statements.

These errors were the result of inadequate policies and procedures in reviewing self-insurance activity. Failure to complete accurate financial statements could lead to the Board of Trustees making misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to correct these errors.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and the Board of Trustees, to help identify and correct errors and omissions. Furthermore, the Fiscal Officer should review Audit Bulletin 2001-005 and 2011-008 at the following website addresses, to help ensure accurate self-insurance reporting.

<https://ohioauditor.gov/publications/bulletins/2001/2001-005.pdf>

<https://ohioauditor.gov/publications/bulletins/2011/2011-008.pdf>

Officials’ Response:

The Township agrees with your findings and recommendations. We have no desire to challenge them. The Fiscal Officer will make the appropriate corrections.

FINDING NUMBER 2020-003

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code § 5705.10(D) provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The Township inappropriately recorded real estate property taxes, manufactured home taxes, and homestead and rollbacks receipts. Given the sources of the revenues, these should have been recorded in the funds identified in the following table. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatements.

Fund Type / Fund	2020 Posting Errors	2019 Posting Errors
General Fund	(\$24,375)	(\$2,813)
Special Revenue Fund Type:		
Road and Bridge Fund	2,684	817
Police District Fund	1,155	1,205
Fire District Fund	17,008	
Fire & EMS Levy Fund	3,528	791

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Township should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials' Response:

The Township agrees with your findings and recommendations. We have no desire to challenge them. The Fiscal Officer will make the appropriate corrections.

DANBURY TOWNSHIP

BOARD OF TRUSTEES

5972 Port Clinton Eastern Rd.

Marblehead, Ohio 43440

Members of Board

John Paul Dress
David M. Hirt
Dianne M. Rozak

Fiscal Officer

Carolyn Adams
Phone: (419) 732-3039
Fax: (419) 734-3137

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020 AND 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material weakness for errors in financial reporting initially reported as Finding 2016-001.	Not corrected and reissued as Finding 2020-001 in this report.	This matter was not corrected due to deficiencies in the Township's internal controls over financial reporting. The Fiscal Officer will make the appropriate corrections.
2018-002	Ohio Rev. Code § 5705.12 and Significant Deficiency for the failure to obtain permission to establish a fund initially reported as Finding 2016-002.	Fully corrected.	
2018-003	Ohio Rev. Code § 9.833 and Material Weakness for the failure to establish an internal service fund to account for self-insurance activity.	Not corrected and reissued as Finding 2020-002 in this report.	This matter was not corrected due to deficiencies in the Township's internal controls over self-insurance reporting. The Fiscal Officer will make the appropriate corrections.

OHIO AUDITOR OF STATE KEITH FABER



DANBURY TOWNSHIP

OTTAWA 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 2/3/2022

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