



OHIO AUDITOR OF STATE
KEITH FABER



**FLORENCE TOWNSHIP
WILLIAMS COUNTY
DECEMBER 31, 2019 AND 2018**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types For the Year Ended December 31, 2019	5
Statement of Receipts, Disbursements and Changes in Fund Balance (Cash Basis) – Fiduciary Fund For the Year Ended December 31, 2019	6
Notes to the Financial Statements – For the Year Ended December 31, 2019	7
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types For the Year Ended December 31, 2018	13
Statement of Receipts, Disbursements and Changes in Fund Balance (Cash Basis) – Fiduciary Fund For the Year Ended December 31, 2018	14
Notes to the Financial Statements – For the Year Ended December 31, 2018	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Findings.....	23

This page intentionally left blank.



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Florence Township
Williams County
P.O. Box 107
Edon, Ohio 43518-0107

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Florence Township, Williams County, Ohio (the Township) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Florence Township, Williams County, Ohio as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2020, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

July 10, 2020

This page intentionally left blank.

FLORENCE TOWNSHIP
WILLIAMS COUNTY
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)*
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$39,644	\$209,440		\$249,084
Charges for Services	500			500
Intergovernmental	26,739	138,683		165,422
Earnings on Investments	279	33		312
Miscellaneous	9,932			9,932
<i>Total Cash Receipts</i>	<u>77,094</u>	<u>348,156</u>		<u>425,250</u>
Cash Disbursements				
Current:				
General Government	76,272			76,272
Public Safety	27,697	15,234	\$10,855	53,786
Public Works		233,443		233,443
Health	2			2
Capital Outlay	2,985	14,537		17,522
Debt Service:				
Principal Retirement		85,208		85,208
Interest and Fiscal Charges		27,882		27,882
<i>Total Cash Disbursements</i>	<u>106,956</u>	<u>376,304</u>	<u>10,855</u>	<u>494,115</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(29,862)</u>	<u>(28,148)</u>	<u>(10,855)</u>	<u>(68,865)</u>
Other Financing Receipts				
Sale of Capital Assets			\$10,855	10,855
Other Financing Sources	901			901
<i>Net Change in Fund Cash Balances</i>	<u>(28,961)</u>	<u>(28,148)</u>		<u>(57,109)</u>
<i>Fund Cash Balances, January 1</i>	<u>78,369</u>	<u>375,111</u>		<u>453,480</u>
Fund Cash Balances, December 31				
Restricted		339,169		339,169
Committed		7,794		7,794
Assigned	34,881			34,881
Unassigned	14,527			14,527
<i>Fund Cash Balances, December 31</i>	<u>\$49,408</u>	<u>\$346,963</u>		<u>\$396,371</u>

See accompanying notes to the basic financial statements

FLORENCE TOWNSHIP
WILLIAMS COUNTY
*Statement of Receipts, Disbursements
and Changes in Fund Balance (Cash Basis)*
Fiduciary Fund Type
For the Year Ended December 31, 2019

	Fiduciary Fund Type
	Agency
Operating Cash Disbursements	
Other	\$3,047
Non-Operating Receipts	
Property and Other Local Taxes	2,052
<i>Net Change in Fund Cash Balance</i>	(995)
<i>Fund Cash Balance, January 1</i>	997
<i>Fund Cash Balance, December 31</i>	\$2
<i>See accompanying notes to the basic financial statements</i>	

**FLORENCE TOWNSHIP
WILLIAMS 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 Florence Township, Williams 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 and fire protection 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 (cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balances (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 other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Road and Bridge Fund The road and bridge fund accounts for and reports property tax money for constructing, maintaining, and repairing Township roads and bridges.

Special Fire Levy Fund This fund receives property tax money for providing fire protection services, maintaining fire equipment, and to purchase fire trucks.

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:

Capital Projects Fund The Township received proceeds from sale of capital assets which are restricted for capital improvements.

**FLORENCE TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

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.

Agency 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 agency fund account for rollback and homestead monies received for Edon Union Cemetery.

Basis of Accounting

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

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

Budgetary Process

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

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

Deposits and Investments

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

Capital Assets

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

**FLORENCE TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

Fund Balance

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

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

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

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

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

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

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

Note 3 – Budgetary Activity

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

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$94,261	\$77,995	(\$16,266)
Special Revenue	339,394	348,156	8,762
Capital Projects	10,855	10,855	
Total	\$444,510	\$437,006	(\$7,504)

**FLORENCE TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$148,187	\$106,956	\$41,231
Special Revenue	543,912	376,304	167,608
Capital Projects	10,855	10,855	
Total	\$702,954	\$494,115	\$208,839

Note 4 – Deposits

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

	2019
Demand deposits	\$396,373

Deposits

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

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

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

**FLORENCE TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

those liabilities as of December 31:

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Social Security

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

The employee contributed 6.2 percent of their gross salary. The Township contributed an amount equal to 6.2 percent of the participant's gross salary. The Township has paid all contributions required through December 31, 2019.

Note 8 – Postemployment Benefits

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

Note 9 – Debt

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

	<u>Principal</u>	<u>Interest Rate</u>
Edon State Bank Note	\$781,710	3.25%

Contrary to Ohio law, the Township entered into a note agreement with Edon State Bank for \$950,000 to finance the construction of a new building for Township fire department. Biannual payments of \$56,545 are made until 2027. The Township's taxing authority collateralized the note.

**FLORENCE TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

Amortization

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

<u>Year Ending December 31:</u>	<u>Note</u>
2020	\$113,090
2021	113,090
2022	113,090
2023	113,090
2024	113,090
2025 - 2027	<u>339,270</u>
Total	<u><u>\$904,720</u></u>

Note 10 – Subsequent Events

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

Note 11 – Compliance

Contrary to Ohio Rev. Code §5705.10(F) the Township recorded the proceeds of the sale of capital assets in the General fund when they should have been recorded in a Capital Projects fund.

FLORENCE TOWNSHIP
WILLIAMS COUNTY
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)*
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$40,551	\$218,275		\$258,826
Charges for Services	500			500
Intergovernmental	26,826	135,143		161,969
Earnings on Investments	377	45		422
Miscellaneous	3,003			3,003
<i>Total Cash Receipts</i>	<u>71,257</u>	<u>353,463</u>		<u>424,720</u>
Cash Disbursements				
Current:				
General Government	6,741			6,741
Public Safety	56,735	17,304	\$657,209	731,248
Public Works		189,444		189,444
Capital Outlay	53,723	21,490		75,213
Debt Service:				
Principal Retirement		83,082		83,082
Interest and Fiscal Charges		30,008		30,008
<i>Total Cash Disbursements</i>	<u>117,199</u>	<u>341,328</u>	<u>657,209</u>	<u>1,115,736</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(45,942)</u>	<u>12,135</u>	<u>(657,209)</u>	<u>(691,016)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds			136,499	136,499
Sale of Capital Assets			73,999	73,999
Transfers In			446,711	446,711
Transfers Out	(446,711)			(446,711)
Other Financing Sources	9,913			9,913
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(436,798)</u>		<u>\$657,209</u>	<u>220,411</u>
<i>Net Change in Fund Cash Balances</i>	(482,740)	12,135		(470,605)
<i>Fund Cash Balances, January 1</i>	<u>561,109</u>	<u>362,976</u>		<u>924,085</u>
Fund Cash Balances, December 31				
Restricted		303,212		303,212
Committed		71,899		71,899
Assigned	64,781			64,781
Unassigned	13,588			13,588
<i>Fund Cash Balances, December 31</i>	<u>\$78,369</u>	<u>\$375,111</u>		<u>\$453,480</u>

See accompanying notes to the basic financial statements

FLORENCE TOWNSHIP
WILLIAMS COUNTY
*Statement of Receipts, Disbursements
and Changes in Fund Balance (Cash Basis)*
Fiduciary Fund Type
For the Year Ended December 31, 2018

	Fiduciary Fund Type
	Agency
Operating Cash Disbursements	
Other	\$1,001
Non-Operating Receipts	
Property and Other Local Taxes	1,998
<i>Net Change in Fund Cash Balance</i>	997
<i>Fund Cash Balance, January 1</i>	
<i>Fund Cash Balance, December 31</i>	\$997
<i>See accompanying notes to the basic financial statements</i>	

**FLORENCE TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Florence Township, Williams 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 and fire protection 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 (cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balances (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 other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Road and Bridge Fund The road and bridge fund accounts for and reports property tax money for constructing, maintaining, and repairing Township roads and bridges.

Special Fire Levy Fund This fund receives property tax money for providing fire protection services, maintaining fire equipment, and to purchase fire trucks.

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:

Fire Department Special Project Fund The Township received insurance monies collected in 2016, and construction loan from the Edon State Bank for capital improvements. The proceeds are restricted for capital improvement.

**FLORENCE TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

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.

Agency 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 agency fund accounts for rollback and homestead monies received for Edon Union Cemetery.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

**FLORENCE TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

Fund Balance

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

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

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

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

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

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

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

Note 3 – Budgetary Activity

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

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$88,112	\$81,170	(\$6,942)
Special Revenue	342,785	353,463	10,678
Capital Projects	657,209	657,209	
Total	\$1,088,106	\$1,091,842	\$3,736

**FLORENCE TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$624,307	\$563,910	\$60,397
Special Revenue	546,147	341,328	204,819
Capital Projects	657,209	657,209	
Total	\$1,827,663	\$1,562,447	\$265,216

Note 4 – Deposits

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

Demand deposits	2018
	\$454,477

Deposits

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

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

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

**FLORENCE TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

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

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Social Security

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

The employee contributed 6.2 percent of their gross salary. The Township contributed an amount equal to 6.2 percent of the participant's gross salary. The Township has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 9 – Debt

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

	<u>Principal</u>	<u>Interest Rate</u>
Edon State Bank Note	\$866,918	3.25%

Contrary of Ohio law, the Township entered into a note agreement with Edon State Bank for \$950,000 to finance the construction of a new building for Township fire department. Biannual payments of \$56,545 are made until 2027. The Township's taxing authority collateralized the note.

**FLORENCE TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

Amortization

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

Year Ending December 31:	Note
2019	\$113,090
2020	113,090
2021	113,090
2022	113,090
2023	113,090
2024 - 2027	452,361
Total	<u><u>\$1,017,811</u></u>

Note 10 – Subsequent Events

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

Note 11 – Compliance

Contrary to Ohio Rev. Code §5705.10(F) the Township recorded the proceeds of the sale of capital assets in the Fire Levy fund when they should have been recorded in a Capital Projects fund.



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

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

Florence Township
Williams County
P.O. Box 107
Edon, Ohio 43518-0107

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States’ Government Auditing Standards, the financial statements of the cash balances, receipts, and disbursements by fund type of Florence Township, Williams County, Ohio, (the Township) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated July 10, 2020 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuring emergency measures will impact subsequent periods of the Township.

Internal Control Over Financial Reporting

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

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

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

Efficient • Effective • Transparent

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under Government Auditing Standards which are described in the accompanying schedule of findings as items 2019-002 and 2019-003.

Township's Responses 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

July 10, 2020

**FLORENCE TOWNSHIP
WILLIAMS COUNTY**

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

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

FINDING NUMBER 2019-001

Material Weakness – 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 for the years ended December 31, 2019 and 2018:

- Subsequent year appropriations over estimated receipts within the General fund of \$34,881 and \$64,781 were improperly accounted for as unassigned fund balance rather than assigned in 2019 and 2018, respectively. These excess appropriations over estimated receipts and outstanding encumbrances should have been reported as assigned fund balance in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 54, codified as GASB Cod. 1800.176.
- Other debt proceeds in the amount of \$136,499 were misclassified as property and other local taxes in the Capital Project Fund in 2018 to properly reflect the revenue from the construction loan draw.

These errors were not identified and corrected prior to the Township preparing its financial statements due to deficiencies in the Township's internal controls over financial report monitoring. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted.

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. In addition, the Fiscal Officer should also review Audit Bulletin 2011-004 for information on GASB Statement No. 54 to help ensure that all accounts are being properly posted to the financial statements.

Officials' Response

The Township Officials' are aware of these issues and are taking steps to correct them. The Fiscal Officer plans to review future postings of financial activity to make sure they are properly reported in the accounting ledgers and financial statements.

FINDING NUMBER 2019-002

Noncompliance and Material Weakness

Ohio Rev. Code Chapter 133 and 505 authorizes certain methods by which Townships may incur debt.

Ohio Rev. Code § 133.22, permits a subdivision to issue anticipatory-securities if it meets the requirements outlined in the statute.

Ohio Rev. Code § 133.10 permits a subdivision to issue anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision.

Ohio Rev. Code § 133.12 which allows a subdivision to issue general obligation securities to meet emergencies.

Ohio Rev. Code § 133.14 which allows the issuance of securities for the purpose of providing funds with which to pay one or more final judgments rendered against the subdivision.

Ohio Rev. Code § 133.15, a subdivision is authorized to issue securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct.

Ohio Rev. Code § 133.151 which allows a township to issue self-supporting securities to pay for the costs of any permanent improvements.

Ohio Rev. Code § 133.18, the taxing authority of a subdivision, may by legislation submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

Additionally, **Ohio Rev. Code § 505.262** which allows the board of township trustees to issue securities for the construction of buildings.

During 2017, the Township obtained a commercial loan from a local bank and made principal payments of \$83,082 in 2018 and \$85,208 in 2019 to finance the construction of a new fire building in the amount of \$950,000

This type of debt does not meet the criteria for any of the debt allowed in Ohio Rev. Code Chapter 133 or Ohio Rev. Code § 505.262. Without a statutory provision authorizing these methods for incurring debt, the Township was not permitted to use such methods. The Township had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions. Inadequate policies and procedures related to debt issuance can result in illegal expenditures by the Township.

The Township should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

Officials' Response

In 2015, the Township fire hall suffered from fire damage that necessitated the replacement of the combined fire hall and township office building. In 2017, the Township obtained a commercial loan from a local bank in order to finance the construction of a replacement fire hall. Finding 2019-002 indicates that this type of debt does not meet the criteria for the debt allowed by a township under the Revised Code. We were unaware that the bank loan was not permissible, and wish to remedy the situation.

FINDING NUMBER 2019-003

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(F), requires revenue received from the sale of a permanent improvement to be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements. **Ohio Rev. Code § 5705.01(E)** defines "permanent improvement" or "improvement" to mean any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more.

Sale of capital assets in the amounts of \$10,855 and \$73,999 were improperly recorded as miscellaneous revenue in the General fund in 2019 and 2018, respectively. The Township used the revenue toward for the construction of a new building. Given the source of the revenue, this should have been recorded in the Capital Projects fund. An adjustment is reflected in the financial statements and in the accounting records to correct the misstatement.

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 and posted to the proper funds. Also, information is available regarding revenue postings in the Ohio Township Manual at the following website address: <https://www.ohioauditor.gov/trainings/lgoc/2018/Ohio%20Township%20Manual.pdf> .

Officials' Response

The Township Officials' are aware of these issues and are taking steps to correct them. The Fiscal Officer plans to review future postings of financial activity to make sure they are properly reported in the accounting ledgers and financial statements.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



FLORENCE TOWNSHIP

WILLIAMS 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 8/18/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov