



OHIO AUDITOR OF STATE  
**KEITH FABER**





**LOUDON TOWNSHIP  
SENECA COUNTY  
DECEMBER 31, 2019 AND 2018**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
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, 2019 .....	3
Notes to the Financial Statements - For the Year Ended December 31, 2019 .....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2018 .....	10
Notes to the Financial Statements - For the Year Ended December 31, 2018 .....	11
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings.....	19
Summary Schedule of Prior Audit Findings (Prepared by Management) .....	20

**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

Loudon Township  
Seneca County  
P.O. Box 630  
Fostoria, Ohio 44830-0630

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

***Adverse Opinion on U.S Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Loudon Township, Seneca 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 11 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 22, 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 22, 2020

**Loudon Township**  
*Seneca County, Ohio*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2019*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$61,449	\$153,622		\$215,071
Licenses, Permits and Fees	545,536			545,536
Intergovernmental	35,216	137,737		172,953
Earnings on Investments	1,219	272		1,491
Miscellaneous	8,275			8,275
<i>Total Cash Receipts</i>	<u>651,695</u>	<u>291,631</u>		<u>943,326</u>
<b>Cash Disbursements</b>				
Current:				
General Government	181,206			181,206
Public Works	133,017	381,098		514,115
Health	10,508			10,508
Capital Outlay	11,684			11,684
<i>Total Cash Disbursements</i>	<u>336,415</u>	<u>381,098</u>		<u>717,513</u>
<i>Net Change in Fund Cash Balances</i>	315,280	(89,467)		225,813
<i>Fund Cash Balances, January 1</i>	<u>359,620</u>	<u>307,115</u>	<u>\$176,418</u>	<u>843,153</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		212,948		212,948
Committed		4,700	176,418	181,118
Assigned	169,740			169,740
Unassigned	505,160			505,160
<i>Fund Cash Balances, December 31</i>	<u>\$674,900</u>	<u>\$217,648</u>	<u>\$176,418</u>	<u>\$1,068,966</u>

*See accompanying notes to the basic financial statements*

**Loudon Township**  
*Seneca 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 Loudon Township, Seneca County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance.

***Public Entity Risk Pools and Jointly Governed Organizations***

The Township participates in two public entity risk pools and two jointly governed organizations. Notes 6, 9 and 10 to the financial statements, provide additional information for these entities.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

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

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

***Motor Vehicle License Tax Fund*** The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.



**Loudon Township**  
*Seneca County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

---

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

**Miscellaneous Capital Fund** The Township established a capital improvement fund for the purpose of accumulating resources for the replacement of the Township plows, pickups, and backhoe equipment.

***Basis of Accounting***

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

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

***Budgetary Process***

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

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

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

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

A summary of 2019 budgetary activity appears in Note 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.

**Loudon Township**  
*Seneca County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

***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.

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.

In addition to the above fund balance constraints, the Township has a General Fund budget stabilization arrangement that does not meet the criteria to be classified as restricted or committed. Pursuant to Ohio Revised Code Section 5705.13, the Township established a budget stabilization by resolution to provide options to respond to unexpected issues and afford a buffer against shocks and other forms of risk such as revenue volatility, unexpected infrastructure failure, or disaster situations. Expenditures of a recurring nature are not addressed through the use of this arrangement. The Township Trustees authorized the funding of this arrangement as resources become available in the General Fund. The fund balance should not exceed one-sixth of the previous year General Fund expenditures. The balance in the reserve at December 31, 2019, is \$56,069.

**Loudon Township**  
*Seneca County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

**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	\$651,429	\$651,695	\$266
Special Revenue	291,739	291,631	(108)
Total	\$943,168	\$943,326	\$158

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$673,246	\$336,855	\$336,391
Special Revenue	451,231	381,401	69,830
Total	\$1,124,477	\$718,256	\$406,221

**Note 4 – Deposits**

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

	2019
Demand deposits	\$736,244
Other time deposits (savings accounts)	332,722
Total deposits	\$1,068,966

***Deposits***

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

**Note 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.

**Loudon Township**  
*Seneca County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

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 actuarially-measured liabilities available to pay those liabilities as of December 31:

	2019
Cash and investments	\$35,207,320
Actuarial liabilities	\$10,519,942

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

**Note 8 – Postemployment Benefits**

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.

**Loudon Township**  
*Seneca County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

**Note 9 – Jointly Governed Organizations**

The Bascom Joint Ambulance District is a jointly governed organization. Loudon and Hopewell Townships appoint members to sit on the Ambulance District Board. The Ambulance District provides ambulance services within the District.

The Bascom Joint Fire District is a jointly governed organization. Loudon and Hopewell Townships appoint members to sit on the Fire District Board. The Fire District provides fire services within the District.

**Note 10 – Public Entity Risk Pool**

The Township participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

**Note 11 – 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.

**Loudon Township**  
*Seneca County, Ohio*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2018*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$46,281	\$115,810		\$162,091
Licenses, Permits and Fees	487,803			487,803
Intergovernmental	35,218	122,877	\$33,000	191,095
Earnings on Investments	1,024	296		1,320
Miscellaneous	3,059			3,059
<i>Total Cash Receipts</i>	<u>573,385</u>	<u>238,983</u>	<u>33,000</u>	<u>845,368</u>
<b>Cash Disbursements</b>				
Current:				
General Government	190,262			190,262
Public Works	303,587	101,442		405,029
Health	8,321			8,321
Capital Outlay	54,708	53,110	33,000	140,818
<i>Total Cash Disbursements</i>	<u>556,878</u>	<u>154,552</u>	<u>33,000</u>	<u>744,430</u>
<i>Excess of Receipts Over Disbursements</i>	<u>16,507</u>	<u>84,431</u>		<u>100,938</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets			50,000	50,000
Transfers In			50,000	50,000
Transfers Out	(50,000)			(50,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(50,000)</u>		<u>100,000</u>	<u>50,000</u>
<i>Net Change in Fund Cash Balances</i>	(33,493)	84,431	100,000	150,938
<i>Fund Cash Balances, January 1</i>	<u>393,113</u>	<u>222,684</u>	<u>76,418</u>	<u>692,215</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		302,415		302,415
Committed		4,700	176,418	181,118
Assigned	21,817			21,817
Unassigned	337,803			337,803
<i>Fund Cash Balances, December 31</i>	<u>\$359,620</u>	<u>\$307,115</u>	<u>\$176,418</u>	<u>\$843,153</u>

*See accompanying notes to the basic financial statements*

**Loudon Township**  
*Seneca 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 Loudon Township, Seneca County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance.

***Public Entity Risk Pools and Jointly Governed Organizations***

The Township participates in two public entity risk pools and two jointly governed organizations. Notes 6, 9, and 10 to the financial statements provide additional information for these entities.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

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

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

***Motor Vehicle License Tax Fund*** The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

**Loudon Township**  
*Seneca County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**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 funds:

**Miscellaneous Capital Fund** The Township established a capital improvement fund for the purpose of accumulating resources for the replacement of the Township plows, pickups, and backhoe equipment.

**Issue I Fund** The Township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

***Basis of Accounting***

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

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

***Budgetary Process***

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

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

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

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

A summary of 2018 budgetary activity appears in Note 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.



**Loudon Township**  
*Seneca County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

***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.

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.

In addition to the above fund balance constraints, the Township has a General Fund budget stabilization arrangement that does not meet the criteria to be classified as restricted or committed. Pursuant to Ohio Revised Code Section 5705.13, the Township established a budget stabilization by resolution to provide options to respond to unexpected issues and afford a buffer against shocks and other forms of risk such as

**Loudon Township**  
*Seneca County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

revenue volatility, unexpected infrastructure failure, or disaster situations. Expenditures of a recurring nature are not addressed through the use of this arrangement. The Township Trustees authorized the funding of this arrangement as resources become available in the General Fund. The fund balance should not exceed one-sixth of the previous year General Fund expenditures. The balance in the reserve at December 31, 2018, is \$57,734.

**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	\$480,511	\$573,385	\$92,874
Special Revenue	234,100	238,983	4,883
Capital Projects	177,010	133,000	(44,010)
Total	\$891,621	\$945,368	\$53,747

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$760,043	\$617,499	\$142,544
Special Revenue	441,955	154,783	287,172
Capital Projects	77,010	33,000	44,010
Total	\$1,279,008	\$805,282	\$473,726

**Note 4 – Deposits**

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

	2018
Demand deposits	\$511,922
Other time deposits (savings accounts)	331,231
Total deposits	\$843,153

**Deposits**

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

**Loudon Township**  
*Seneca County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 5 – Property Taxes**

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

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;
- Automobile liability;
- Property;
- Equipment breakdown and
- Vehicle.

The Pool reported the following summary of actuarially-measured liabilities and the assets 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***

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

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

**Loudon Township**  
*Seneca County*  
*Notes to the Financial Statements*  
*For the Year Ended 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 – Jointly Governed Organizations**

The Bascom Joint Ambulance District is a jointly governed organization. Loudon and Hopewell Townships appoint members to sit on the Ambulance District Board. The Ambulance District provides ambulance services within the District.

The Bascom Joint Fire District is a jointly governed organization. Loudon and Hopewell Townships appoint members to sit on the Fire District Board. The Fire District provides fire services within the District.

**Note 10 – Public Entity Risk Pool**

The Township participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

**Note 11 – 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.



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**

Loudon Township  
Seneca County  
P.O. Box 630  
Fostoria, Ohio 44830-0630

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 Loudon Township, Seneca 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 22, 2020, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

***Internal Control Over Financial Reporting***

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

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

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

***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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Township's Response to Finding***

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

***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 22, 2020

LOUDON TOWNSHIP  
SENECA 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.

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 requires in part, as codified at GASB Cod 1800.165 - .179, fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

Errors were noted in the financial statements, resulting in the following audit adjustments:

- Ending fund balance within the Miscellaneous Capital fund of \$176,418, was improperly accounted for as restricted in 2019, and improperly accounted for as assigned in 2018, rather than committed.
- The Gasoline Tax fund's portion of the 2018 road project of \$44,010 was recorded as an interfund transfer out of the Gasoline Tax fund and into the Issue I fund, with the entire project cost of \$77,010 recorded within the Issue I fund. Auditor of State Bulletin 2002-004 explains that if the authority does not exist for the transfer of monies to the capital projects fund (i.e., gas tax) then the local governments shall appropriate and expend its matching requirement directly from the other fund if lawfully permitted. Therefore, the transaction should have been recorded as a capital outlay disbursement within the Gasoline Tax fund, and only the Issue I fund's portion of the project should have been recorded within the Issue I fund.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors. Failure to complete accurate financial statements could lead to the Board making misinformed decisions. Additional errors were made in smaller relative amounts.

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 Board, to identify and correct errors and omissions. The Fiscal Officer should also review the Township Handbook and Audit Bulletin 2011-004 for information on GASB Statement No. 54, and Audit Bulletin 2002-004 for guidance on recording Public Works Commission funding, to help ensure that all accounts are being properly posted to the financial statements.

**Officials' Response:**

The Fiscal Officer is working to correct the errors noted above.

**LOUDON TOWNSHIP  
9970 West Township 112  
Fostoria, Ohio 44830**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2019 AND 2018**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	Material weakness due to errors over financial reporting.	Not corrected and repeated as Finding 2019-001 in this report.	These errors were the result of inadequate policies and procedures in reviewing the financial statements and accompanying notes prior to filing the Township's annual report. The Fiscal Officer will ensure these are accounted for correctly in the future.
2017-002	Material weakness and noncompliance with Ohio Rev. Code § 5705.10(F) due to recording proceeds from the sale of a capital asset within the General fund rather than a permanent improvement fund.	Fully Corrected.	



# OHIO AUDITOR OF STATE KEITH FABER



**LOUDON TOWNSHIP**

**SENECA 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 8/6/2020**

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](http://www.ohioauditor.gov)