



OHIO AUDITOR OF STATE
KEITH FABER



**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY
DECEMBER 31, 2020**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2020	5
Statement of Additions, Deductions, and Changes in Fund Balance (Regulatory Cash Basis) - Fiduciary Fund Type - For the Year Ended December 31, 2020	6
Notes to the Financial Statements - For the Year Ended December 31, 2020	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Summary Schedule of Prior Audit Findings (Prepared by Management).....	23

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Jefferson Township
Montgomery County
580 Calumet Lane
Dayton, Ohio 45417

To the Board of Township Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township, as of December 31, 2020, and the respective changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund as of and for the year ended December 31, 2020, and related notes of the Township, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2021, 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 7, 2021

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**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$93,004	\$2,174,456		\$2,267,460
Charges for Services		171,680		171,680
Licenses, Permits and Fees	55,745			55,745
Fines and Forfeitures	3,425			3,425
Intergovernmental	84,133	935,637		1,019,770
Special Assessments	259,370	94,054		353,424
Miscellaneous	76,017	112,243		188,260
<i>Total Cash Receipts</i>	<u>571,694</u>	<u>3,488,070</u>		<u>4,059,764</u>
Cash Disbursements				
Current:				
General Government	438,066	231,400		669,466
Public Safety		2,089,299		2,089,299
Public Works		597,675		597,675
Health		96		96
Capital Outlay		417,868		417,868
Debt Service:				
Principal Retirement		60,437		60,437
Interest and Fiscal Charges		24,655		24,655
<i>Total Cash Disbursements</i>	<u>438,066</u>	<u>3,421,430</u>		<u>3,859,496</u>
<i>Excess of Receipts Over Disbursements</i>	<u>133,628</u>	<u>66,640</u>		<u>200,268</u>
Other Financing Receipts (Disbursements)				
Proceeds of Debt		348,825		348,825
Transfers In			175,000	175,000
Transfers Out		(175,000)		(175,000)
Proceeds from Insurance		25,256		25,256
<i>Total Other Financing Receipts (Disbursements)</i>		199,081	175,000	374,081
<i>Net Change in Fund Cash Balances</i>	133,628	265,721	175,000	574,349
<i>Fund Cash Balances, January 1</i>	<u>120,893</u>	<u>1,349,811</u>	<u>\$24,998</u>	<u>1,495,702</u>
<i>Fund Cash Balances, December 31</i>	<u>\$254,521</u>	<u>\$1,615,532</u>	<u>\$199,998</u>	<u>\$2,070,051</u>

See accompanying notes to the basic financial statements

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY

STATEMENT OF ADDITIONS, DEDUCTIONS,
AND CHANGES IN FUND BALANCE (REGULATORY CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Custodial</u>
Deductions	
Distributions of Deposits	<u>24,510</u>
<i>Total Deductions</i>	<u>24,510</u>
<i>Net Change in Fund Cash Balance</i>	(24,510)
<i>Fund Cash Balance, January 1</i>	<u>29,191</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$4,681</u></u>

See accompanying notes to the basic financial statements

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Jefferson Township, Montgomery County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, road and bridge maintenance, and fire protection and emergency medical services. The Township contracts with the Montgomery County Sheriff's Office to provide security of persons and property.

The Township participates in one public entity risk pool, Ohio Township Association Risk Management Authority (OTARMA), which provides property and casualty coverage for the Township. Note 9 to the financial statements provides additional information.

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

B. Accounting Basis and Basis of Presentation

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

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

C. Deposits

The Township's deposits are maintained in a demand deposit account.

D. 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:

1. 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.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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:

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

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Motor Vehicle License Tax Fund - This fund receives motor vehicle registration money for constructing, maintaining, and repairing Township roads and bridges.

Police District Fund - This fund receives property tax money to provide police protection for Township residents by contracting with the Montgomery County Sheriff's Office.

Fire/EMS Fund - This fund receives property tax money and charges for services money to provide fire and EMS protection services to Township residents.

Lighting District Fund - This fund receives special assessments money to provide street lighting throughout the Township.

3. 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:

Admin/Fire Building Capital Fund - This fund received monies from note and bond proceeds, and these funds were utilized for the construction of a new Township building and fire station.

Fire/EMS Capital Improvement Capital Fund - This fund receives transfers from the Fire/EMS Fund to acquire, construct, or improve Fire/EMS fixed assets.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Township's custodial fund accounts for monies received from insurance companies and reimburses residents when their buildings are fixed.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. 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.

2. 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.

3. 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 re-appropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2020 budgetary activity appears in Note 4.

F. 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:

1. Nonspendable

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

2. 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.

3. 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.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Assigned

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

5. Unassigned

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

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

G. Property, Plant, and Equipment

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

H. 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.

2. DEPOSITS

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

	<u>2020</u>
Demand deposits	\$2,074,732

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Township is holding \$1,887 in unremitted employee payroll withholdings.

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.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

3. COMPLIANCE

Contrary to Ohio law, the minutes for the Board of Trustees meetings were not promptly prepared, filed, and maintained and the Township's elected officials did not certify the time spent on various Township activities for payroll purposes.

4. BUDGETARY ACTIVITY

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

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$443,577	\$571,694	\$128,117
Special Revenue	3,611,978	3,862,151	250,173
Capital Projects	175,000	175,000	0
Total	\$4,230,555	\$4,608,845	\$378,290

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$564,234	\$439,009	\$125,225
Special Revenue	4,124,386	3,704,074	420,312
Capital Projects	0	0	0
Total	\$4,688,620	\$4,143,083	\$545,537

5. PROPERTY TAX

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

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.

6. DEBT

Debt outstanding at December 31, 2020 was as follows:

	Principal	Interest Rate
Township Building Bonds	\$276,508	4.625%
Fire Station Bonds	184,000	4.625%
Stryker Equipment Loan	962	0.0%
Ford Interceptor / Two Remounted Ambulances Lease	348,825	3.2%
Total	\$810,295	

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

6. DEBT (Continued)

The Township issued the two General Obligation bonds to finance the construction of the Township building and fire station in the amount of \$821,000. The bonds are scheduled to be repaid in 2032.

During 2018, the Township issued a loan to finance the Township's portion of fire and EMS equipment in the amount of \$46,815. The loan is scheduled to be repaid in 2021.

During 2020, the Township entered into a lease agreement to finance the purchase of a Ford Interceptor and the remounting of two ambulances to be used by the Fire Department. The lease is scheduled to be repaid in 2025.

During 2019, the Township entered into a lease agreement to finance the purchase of a Ford Interceptor to be used by the Fire Department. During 2020, the vehicle was wrecked and the loan paid out through insurance proceeds.

Amortization

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

Year ending December 31:	Township Building Bonds	Fire Station Bonds	Stryker Equipment Loan	Ford Interceptor / Two Remounted Ambulances Lease
2021	\$30,556	\$20,371	\$962	\$76,666
2022	30,724	19,816		76,666
2023	29,845	20,261		76,666
2024	29,971	20,655		76,666
2025	29,995	19,989		76,665
2026-2030	151,197	100,526		
2031-2032	60,332	40,244		
Total	<u>\$362,620</u>	<u>\$241,862</u>	<u>\$962</u>	<u>\$383,329</u>

7. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System – Several employees of the Township 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-Local members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. OPERS-Public Safety members contributed 12% of their gross salaries and the Township contributed an amount equaling 18.1% of participants' gross salaries. The Township has paid all contributions required through December 31, 2020.

Ohio Police and Fire Retirement System – Two employees of the Township belongs to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

7. DEFINED BENEFIT PENSION PLANS (Continued)

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 24% of the employees' wages. The Township has paid all contributions required through December 31, 2020.

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

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

8. POSTEMPLOYMENT BENEFITS

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

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

9. 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 those liabilities as of December 31, 2019, the most recent information available:

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

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

10. COVID-19

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 continuing 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.

During 2020, the Township received CARES Act funding in the amount of \$324,150. None of these funds were sub-granted to other government organizations, none were returned to the granting agency, and none were spent on-behalf of other governments.

11. CONTINGENT LIABILITIES

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

12. FUND BALANCES

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Outstanding Encumbrances	\$943	\$107,644	\$108,587
Total	\$943	\$107,644	\$108,587

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

13. CHANGE IN ACCOUNTING PRINCIPLE

For 2020, the Township has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate statement of additions, deductions, and changes in fund balance (regulatory cash basis) - fiduciary fund type, and removing the fund balance classifications from the combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) - all governmental fund types.

14. SUBSEQUENT EVENT

In January 2021, the Township entered into a lease-purchase agreement to purchase a Rosenbauer Pumper for the Fire Department. The total amount financed was \$299,795 and the first payment is due February 1, 2022.

OHIO AUDITOR OF STATE KEITH FABER



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

Jefferson Township
Montgomery County
580 Calumet Lane
Dayton, Ohio 45417

To the Board of Township Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type and the fiduciary fund as of and for the year ended December 31, 2020, and related notes of Jefferson Township, Montgomery County, (the Township) and have issued our report thereon dated July 7, 2021, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may 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) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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 2020-003 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 financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2020-001, 2020-002, and 2020-004.

Township's Response to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

July 7, 2021

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2020

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

FINDING NUMBER 2020-001

Noncompliance / Finding for Recovery – Employee Severance Payments

Chapter IV, Paragraph 4.1 of the Human Resource Policies and Procedures Manual (the Manual) states, in part, only full time employees accrue vacation leave. Vacation leave is earned based on years of continuous service with Jefferson Township. Vacation leave is calculated and accrues in the following manner for full time employees:

Years of Service	Annual Vacation	Hours Per Pay
0-1 Year	40 Hours	1.55
1-5 Years	80 Hours	3.1
5-15 Years	120 Hours	4.6
After 15 Years	160 Hours	6.2

Further, Chapter IV, Paragraph 4.1-3 of the Manual states, the employee may carryover a total of 40 hours of vacation leave from one year to the next. Any vacation leave earned during a year and not used or not within the 40 hours of carryover will be lost.

Battalion Chief Chad McInturff was hired as a full time employee in August 2015 and resigned effective October 24, 2020. Mr. McInturff should have earned 78.7 hours of vacation leave during 2020 (fifteen pay periods at the rate of 3.1 hours per pay and seven pay periods at the rate of 4.6 hours per pay); however, the Township's payroll system recorded an accrual of 106.7 hours of vacation leave in 2020. As a result, Mr. McInturff was overpaid for vacation leave accrued but unused at the time of his resignation by \$497. There was no indication that the Trustees reviewed and approved this severance payment.

Maintenance Coordinator Randall DeVilbiss was terminated effective May 6, 2020. Mr. DeVilbiss should have carried over a maximum of 40 hours of vacation leave from 2019 into 2020 and his vacation leave balance at the time of his termination should have been depleted. However, the Township's payroll system recorded a carryover vacation leave balance of 185.20 hours of vacation leave and a balance of 114 hours of vacation leave at the time of his termination. As a result, Mr. DeVilbiss was overpaid for vacation leave accrued but unused at the time of his termination by \$2,736.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Chad McInturff in the amount of \$497 and Randall DeVilbiss in the amount of \$2,736 and in favor of Jefferson Township's Fire Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code § 9.39; State ex rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. See 1980 Op. Att'y Gen. No. 80-074.

**FINDING NUMBER 2020-001
(Continued)**

Township Trustees James McGuire and Roy Mann Sr. approved the payroll which included the severance payment issued to Mr. DeVilbiss. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Trustee James McGuire and Trustee Roy Mann Sr. in the amount of \$2,736 and in favor of Jefferson Township's Fire Fund. The Trustees' bonding company is the Ohio Township Association Risk Management Authority.

Procedures should be implemented by the Township to verify employee leave accruals and severance payments are calculated in accordance with the Manual and that severance payments are reviewed and approved by the Trustees. Failure to do so could result in employees not being properly paid for leave earned but not used during their employment with the Township.

Fiscal Officer's Response:

The Fiscal Officer is not involved in Payroll and Benefits process.

Trustees' Response:

Trustee Mann: We will need to address the procedures to make sure that the information is correct. We will review this part of severance pay out process and make sure it is correct and the proper person knows the system.

Trustee McGuire: There were no e-mails, no discussions, no official actions discussing the payouts to these employees.

Trustee McLaughlin: Procedures need to be in effect to prevent this from happening again.

FINDING NUMBER 2020-002

Noncompliance – Minutes Deficiencies

Ohio Rev. Code § 121.22 (C) states, in part, that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. Additionally, on August 4, 2020 the Jefferson Township Board of Trustees approved **Resolution 20-063** which states, in part, that the Jefferson Township Board of Trustees approve the minutes to be prepared word for word for the entire year of 2020, and that the word for word minutes will be prepared retroactive to 1-1-2020.

During 2020, the Board of Trustees conducted 48 meetings, including regular, special, work session, emergency, and budget meetings. However, due to a lack of internal controls, none of the Board of Trustees meeting minutes (the minutes) during 2020 were promptly prepared, filed and open to public inspection. The Township did post audio recordings and board agendas on the Township's website for the meetings. For three meetings which took place in January 2020, summaries were prepared but the summaries were not recorded word for word as required and the summaries were signed by two Trustees on July 21, 2020, which is not considered timely.

In addition, the Township approved various resolutions during 2020. However, the following deficiencies were noted:

- The Board of Trustees approved the budget for fiscal year 2020 with Resolution 20-020 during the March 17, 2020 meeting. The total expenditures budgeted within the Permissive Tax Fund was listed at \$20,000 in the Resolution; however, the detail within the fund summed to \$32,000, a \$12,000 variance. In addition, the total expenditures budgeted was listed at \$3,943,564 in the Resolution; however, the details within the Resolution summed to \$3,928,564, a \$15,000 variance.
- The Township skipped Resolution 20-039 in the sequential numbering of resolutions. The Board of Trustees approved Resolutions 20-038 and Resolution 20-040 during the May 5, 2020 meeting.

**FINDING NUMBER 2020-002
(Continued)**

- The Board of Trustees approved Resolution 20-043 during the June 2, 2020 meeting for transfer of funds, including a \$235 transfer from the Road and Bridge Fund to the Gasoline Tax Fund. However, the funds listed in the Resolution were incorrect and the transfer was intended to be a transfer between line items of the Road and Bridge Fund rather than a transfer between funds.
- The Board of Trustees approved Resolution 20-045 during the June 2, 2020 meeting for supplemental appropriations totaling \$7,500 to cover expenses not accounted for in the original budget. The table within the Resolution listed the original appropriations as \$10,000 and the revised appropriations as \$2,500; however, the original appropriations should have been \$2,500 and the revised appropriations should have been \$10,000.
- The Township's website lists Resolution 20-082, "Declining Acceptance of the donated 3 vacant lots at the NW corner of Davenport and Vinal;" however, there is no document linked with this Resolution number, and the Township could not provide the original, signed Resolution for audit.
- The Board of Trustees approved Resolution 20-102 during the November 17, 2020 meeting for supplemental appropriations. The original title of the Resolution approved supplemental appropriations totaling \$25,460.19, which agrees to the total of the individual appropriation changes listed in the Resolution; however, that total was crossed out and \$77,025.10 was hand-written on the Resolution. The hand-written change to the approved Resolution makes it unclear what the Board of Trustees intended to approve.

Minutes of the meetings of the Board of Trustees are part of the public record therefore the Township Trustees should verify minutes are created for all open meetings, reflect all official actions of the Board of Trustees, and are promptly reviewed and signed to indicate the minutes record is accurate and complete. The Township Board of Trustees should also verify that Resolutions are complete and accurate. Failure to properly document and approve meeting minutes and Resolutions could lead to an inaccurate or incomplete minute record, official action being taken that is not formally documented, or invalid Resolutions.

Fiscal Officer's Response:

A vendor needs to be selected or a resolution needs to be approved to rescind the "word for word" minutes or decide on an agreeable and realistic solutions among all parties for recording the minutes.

The Board of Trustees need to establish a uniform and consistent process and/or procedure for the resolutions to be reviewed and check for accuracy and completeness before approval and signing. There also needs to be accurate records filed with the minutes so that the actions intended can be complete enough to record the information properly into the financial system (UAN).

FINDING NUMBER 2020-003

Material Weakness – Financial Statement Misstatements

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.

**FINDING NUMBER 2020-003
(Continued)**

The following errors, due to lack of controls over the review of the financial statements and transactions in the accounting system, were identified as material and resulted in audit adjustments which are reflected within the accompanying financial statements and have been adjusted in the Township's accounting system:

- The Township improperly classified a portion of General fund special assessment receipts as intergovernmental receipts. As a result, special assessments receipts were understated by \$30,042 and intergovernmental receipts were overstated by \$30,042 in the General fund.
- The Township improperly classified the inception of a lease in 2020 as miscellaneous receipts in the Fire/EMS (Special Revenue) Fund. As a result, other financing sources: proceeds of lease was understated by \$348,825 and miscellaneous receipts were overstated by \$348,825 in the Fire/EMS (Special Revenue) Fund.
- The Township received rebates from Bureau of Workers Compensation (BWC) during 2020 totaling \$144,988. The Township did not properly classify the rebates nor did the Township properly allocate the rebates between funds. As a result, cash was understated by \$36,255, miscellaneous receipts were understated by \$69,132, and intergovernmental receipts were overstated by \$32,877 in the General fund; cash was understated by \$7,423, miscellaneous receipts were understated by \$37,341, and intergovernmental receipts were overstated by \$29,918 in the Road and Bridge (Special Revenue) fund; and cash was overstated by \$43,678, miscellaneous receipts were understated by \$38,515, and intergovernmental receipts were overstated by \$82,193 in the Fire/EMS (Special Revenue) fund.
- The Township posted two advances of property tax receipts to the incorrect funds in 2020. As a result, property tax receipts and cash were overstated by \$1,256 and \$27,771 in the General and Fire/EMS (Special Revenue) funds, respectively, and property tax receipts and cash were understated by \$29,027 in the Police District (Special Revenue) fund.
- The Township did not record proceeds from the insurance company for a vehicle that was totaled during 2020 and subsequent payoff of the vehicle's lease. As a result, debt service: principal retirement disbursements and other financing sources: proceeds from insurance were understated by \$25,256 in the Fire/EMS (Special Revenue) Fund.
- The Township improperly classified a debt payment as capital outlay in 2020. As a result, capital outlay disbursements were overstated by \$9,590 in the Fire/EMS (Special Revenue) Fund, and debt service: principal retirement and debt service: interest and fiscal charges were understated by \$7,181 and \$2,409, respectively, in the Fire/EMS (Special Revenue) Fund.
- The Township improperly classified disbursements from the Other Custodial Fund as deductions: distributions to other funds (primary gov't) in 2020. As a result, deductions: distributions to other funds (primary gov't) were overstated by \$24,510, and deductions: distributions of deposits were understated by the same amount in the Other Custodial Fund.

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct funds and accounts, and in the proper amounts. The Township should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted correctly. Failure to do so could result in financial statement users basing their decisions on materially misstated information.

Fiscal Officer's Response:

This process has been refined for 2020 but policies and procedures still needed to be developed and implemented in order to avoid these mistakes in the future. This is an ongoing learning process for all those involved in the township administration.

**FINDING NUMBER 2020-003
(Continued)**

Trustees' Response:

Trustee Mann: The Trustees and Fiscal Officer will work together with the Administrator. We will have policies and procedures developed and implemented to verify that all receipts and expenditures are posted correctly in each fund and account, and in the correct amount. These will be verified monthly and at the end of the year.

Trustee McGuire: The Resolution and posting of funds simply do not line up. Internally testing compliance would be very difficult because our Fiscal Officer is the administrator of access to UAN.

Trustee McLaughlin: We need to go through our policies and update so these mistakes do not happen again.

FINDING NUMBER 2020-004

Noncompliance – Time and Effort Certifications

Ohio Rev. Code § 507.09(D) states, in part, a township fiscal officer, "may be compensated from the township general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each fund. A township fiscal officer must document the amount of time the township fiscal officer spends providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the township general fund or from other township funds in such proportions as the kinds of services performed."

Ohio Rev. Code § 505.24(C) states, in part, by unanimous vote, a board of township trustees, "may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed."

The Township Board of Trustees approved a method to allocate annual salaries which required the Township Trustees and Fiscal Officer to certify the time spent on various Township activities during the audit period. However, the following errors were noted with the elected officials' 2020 payroll allocations:

- Trustee Mann signed two certifications for February 2020. The allocations were consistent between the two certifications.
- Trustee Mann did not complete a certification of time spent on various Township activities for July 2020, August 2020, or January 2021 (paid in December 2020).
- Trustee McGuire did not complete a certification of time spent on various Township activities for November 2020.
- The Township's elected officials did not complete payroll certifications after performing the work but prior to the pay date for 52 of 52 (100%) certifications completed in 2020.
- Fiscal Officer Edwards' certifications were signed; however, the certifications stated that the percentages were not an accurate representation of time spent working in service of the funds; rather, the percentages were approved by Trustee Resolution and directed to be used.
- Fiscal Officer Edwards did not include a date on 6 of 13 (46%) certifications completed in 2020.

**FINDING NUMBER 2020-004
(Continued)**

- Due to lack of controls over the payroll allocation process, actual payroll allocations to the Township's funds did not agree to the elected officials' certifications of time spent on various Township activities during 2020. As a result, the following errors were identified as material and resulted in audit adjustments which are reflected within the accompanying financial statements and have been adjusted in the Township's accounting system:
 - General government disbursements were overstated and cash was understated by \$351 in the General fund.
 - Public safety disbursements were understated and cash was overstated by \$945 in the Fire (Special Revenue) fund.
 - Public works disbursements were overstated and cash was understated by \$1,034 in the Road and Bridge (Special Revenue) fund.
 - Public works disbursements were understated and cash was overstated by \$440 in the Lighting (Special Revenue) fund.

The Township should implement procedures to verify elected officials' compensation is properly allocated based upon the Ohio Revised Code requirements and certifications prepared by Township officials. Further, the Township should enact measures to verify that monthly certifications of the percentage of time spent working on Township funds are completed and signed by the Trustees and Fiscal Officer after performing the work but prior to being paid. Failure to do so could result in misstated financial statements, overspending of the Township's budget, and findings for adjustment in future audits.

Fiscal Officer's Response:

The entire payroll process for elected officials needs to be refined by the Township. The Township should review the ORC for the timing of payments for each elected official and when each elected official should provide their respective payroll certifications. The Township should establish a procedure so the process is clear for each elected official.



JEFFERSON TOWNSHIP

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS December 31, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001: Financial Statement Errors	The Township's Fiscal Officer did not correctly record the financial activities in UAN. This resulted in numerous reclassifications and adjustments.	Not Corrected	<p>Fiscal Officer's Response: Prior incorrect budgeting practices have not been fully corrected, leading to the recurrence of the issues noted in this comment. All trustees and department heads have access to UAN for reviewing of reports.</p> <p>The corrective action plan is for the Fiscal Officer, Administrator, Trustees and other department heads to continue to obtain education on proper financial management procedures and to establish and implement processes to verify that approved amounts are properly and timely entered into the accounting system.</p> <p>Trustee's Response: The Fiscal Officer uses the UAN system, the Trustees are supposed to have read only access. The Fiscal Officer does all the inputting of information in that system.</p>

Finding Number	Finding Summary	Status	Additional Information
<p>2019-002: Proper Encumbering of Expenditures</p>	<p>The Township is not properly certifying disbursements.</p>	<p>Partially Corrected</p>	<p>Fiscal Officer’s Response: Prior incorrect budgeting practices have not yet been fully corrected, leading to the recurrence of the issues noted in the comments. There is no periodic budget review.</p> <p>The corrective action plan is for the Fiscal Officer, Administrator, and Trustees to continue to obtain education on proper budgeting procedures and to establish and implement processes to verify that approved amounts are properly and timely entered into the accounting system.</p>
<p>2019-003: Budgetary Information in Accounting System</p>	<p>The Official Estimated Resources Certificate and its subsequent Amended Certificates as well as the approved appropriation measures did not match the UAN entries.</p>	<p>Partially Corrected</p>	<p>Fiscal Officer’s Response: A periodic budget review of the permanent budget has not been established. Changes are made once a deficiency in the budget is discovered.</p> <p>The corrective action plan is to develop proper procedures and/or processes for implementing periodic budget reviews each year.</p> <p>Trustee’s Response: We will have a meeting to verify the receipts and appropriations versus actual comparison. Looking at this information, the Trustees can make informed decisions regarding budgetary matters. The Trustees will request to see the posting in the ledgers, the appropriations, and the estimated resources.</p>

Finding Number	Finding Summary	Status	Additional Information
<p>2019-004: Minutes Deficiencies</p>	<p>There are no meeting minutes prepared for the Board of Trustees meetings.</p>	<p>Not Corrected</p>	<p>Fiscal Officer’s Response: The practice of the Jefferson Township Fiscal Officer is to have the recordings of each meeting posted to the township website for public access and transparency since there are no approved written meeting minutes. The Jefferson Township Trustees have required the meeting minutes be typed “word for word”. It is not possible for the Fiscal Officer to prepare the minutes in that manner. Therefore, the Trustees have no written minutes to be approved in the form requested.</p> <p>The corrective action plan is for the Trustees to make the final decision to hire someone to type the minutes “word for word” as they have approved.</p> <p>Trustee’s Response: The decision to keep word for word minutes was made to the end of 2021. The minutes were previously typed by the Administrative Assistant. We will have the minutes started back in house before the end of July. We will decide to use word for word or another form for minutes.</p>

OHIO AUDITOR OF STATE KEITH FABER



JEFFERSON TOWNSHIP

MONTGOMERY 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 8/12/2021

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

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