



OHIO AUDITOR OF STATE
KEITH FABER



**JEFFERSON TOWNSHIP
NOBLE COUNTY
DECEMBER 31, 2020 AND 2019**

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INDEPENDENT AUDITOR'S REPORT

Jefferson Township
Noble County
38916 Sheep Skin Ridge Road
Lower Salem, OH 45745

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type as of and for the year ended December 31, 2020 and for each governmental fund type as of December 31, 2019, and the related notes of the Jefferson Township, Noble 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 § 117.38 and Ohio Administrative Code 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 § 117.38 and Ohio Administrative Code 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 § 117.38 and Ohio Administrative Code 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township, as of December 31, 2020 and 2019, and the respective changes in financial position thereof for the year then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

During prior audit periods from January 1, 2011 to December 31, 2012, January 1, 2009 to December 31, 2010, and January 1, 2007 to December 31, 2008, the Township's audit report contained several Findings for Adjustment that have not been made by the Township as of the date of this report. The cumulative effect of these adjustments from prior audits not made would decrease the General Fund cash balance by \$42,467 and increase the Special Revenue Fund cash balance by \$42,467. The Township declined to make these adjustments.

During the period January 1, 2019 to December 31, 2020, the Fiscal Officer did not properly allocate the Trustees' salaries to the correct funds, did not allocate health insurance expenditures to the proper funds, and posted the Gasoline Tax Fund portion of BWC rebate to the General Fund, in the cumulative amount of \$3,390. The cumulative effect of these proposed adjustments to the 2020 and 2019 financial statements and the unposted prior audit adjustments of \$42,467 would result in a decrease to the General Fund cash balance by \$45,857 and an increase to the Special Revenue Fund, cash balance by \$45,857. The Township declined to make these adjustments.

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above do not present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Jefferson Township, Noble County, Ohio as of December 31, 2020 and 2019, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code 117- 2-03(D) permits, described in Note 2.

Emphasis of Matters

As discussed in Note 12, the Township is experiencing financial difficulties. Management has declined to post the aforementioned adjustments discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* paragraphs, due to the General Fund's cash balance not being sufficient to support these adjustments. Management's plan in regards to these financial difficulties is described in Note 10 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Notes 14 to the financial statements for 2020 and Note 13 to the financial statements for 2019, 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 December 29, 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

December 29, 2021

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**JEFFERSON TOWNSHIP
NOBLE COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$6,121	\$11,370	\$17,491
Intergovernmental	15,013	204,437	219,450
Miscellaneous	4,642	21,232	25,874
<i>Total Cash Receipts</i>	<u>25,776</u>	<u>237,039</u>	<u>262,815</u>
Cash Disbursements			
Current:			
General Government	5,412	22,068	27,480
Public Safety	8,628	0	8,628
Public Works	0	98,737	98,737
Health	0	4,241	4,241
Other	0	21,944	21,944
Debt Service:			
Principal Retirement	0	25,192	25,192
Interest and Fiscal Charges	0	1,706	1,706
<i>Total Cash Disbursements</i>	<u>14,040</u>	<u>173,888</u>	<u>187,928</u>
<i>Excess of Cash Receipts Over Cash Disbursements</i>	<u>11,736</u>	<u>63,151</u>	<u>74,887</u>
Other Financing Receipts(Disbursements)			
Other Financing Sources	0	2,647	2,647
Other Financing Uses	(1,738)	0	(1,738)
<i>Total Other Financing Receipts(Disbursements)</i>	<u>(1,738)</u>	<u>2,647</u>	<u>909</u>
<i>Net Change in Fund Cash Balances</i>	9,998	65,798	75,796
<i>Fund Cash Balances, January 1</i>	<u>21,492</u>	<u>49,992</u>	<u>71,484</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$31,490</u></u>	<u><u>\$115,790</u></u>	<u><u>\$147,280</u></u>

The notes to the financial statements are an integral part of this statement.

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

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Jefferson Township, Noble 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Caldwell Volunteer Fire Department to provide fire services.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

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.

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Federal Emergency Management Assistance (FEMA) Fund The FEMA fund receives grant monies for the clean-up, repair and replacement of township roads and bridges damaged during an event declared a federal disaster by FEMA.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 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 § 117.38 and Ohio Administrative Code 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. Appropriations lapse at year end.

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

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

A summary of 2020 budgetary activity appears in Note 4.

Deposits

The Township pools all available funds of the Township in an interest-bearing checking account and a certificate of deposit.

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.

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Miscellaneous Special Revenue fund by \$21,944 for the year ended December 31, 2020.

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

Note 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	\$18,461	\$27,708	\$9,247
Special Revenue	185,277	237,754	52,477
Total	\$203,738	\$265,462	\$61,724

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,524	\$15,778	\$24,746
Special Revenue	181,570	173,888	7,682
Total	\$222,094	\$189,666	\$32,428

Note 5 – 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:

Demand deposits	2020 \$147,280
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Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – 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.

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

Note 7 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

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

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

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Some Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement 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, 2020.

Social Security

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

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

Note 8 – Defined Benefit Pension Plan (Continued)

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

Note 9 – 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 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020.

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Debt

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
Lease	\$53,178	3.95%

The Township entered into a lease in the amount of \$55,894 in 2020 to finance the purchase of a tractor for repair and maintenance of Township roads. The notes are collateralized by the full faith and credit of the Township. There annual principal and interest payments made on the lease.

Amortization

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

Year Ending December 31:	Township Equipment Notes
2021	12,297
2022	12,297
2023	12,297
2024	12,297
2025	9,222
Total	\$58,410

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

Note 12 – Financial Difficulties

At December 31, 2020, the following funds had adjustments which the Township declined to make in the following amounts (this table also includes adjustments from 2010 through 2020 that the Township declined to make in those years):

Fund	December 31, 2020 Balance	Adjustments Not Made	Effect on December 30, 2020 Balance
General	\$33,993	(\$45,857)	(\$11,864)
Special Revenue	113,287	45,857	159,144

The Township has no formal plans to increase the revenue stream of the General Fund but is monitoring all expenditures of the General Fund. The adjustments not made in the Special Revenue Fund type would have increased the Motor Vehicle License Tax Fund by \$1,141, the Gasoline Tax Fund by \$39,300 and the Road and Bridge Fund by \$5,416.

Note 13 – Fund Balances

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end, the Township had no unclaimed monies, unexpendable corpus of the permanent fund or encumbrances outstanding.

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

Note 14 - COVID-19

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

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**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$5,702	\$10,514	\$16,216
Intergovernmental	14,259	305,635	319,894
Miscellaneous	1,400	1,150	2,550
<i>Total Cash Receipts</i>	<u>21,361</u>	<u>317,299</u>	<u>338,660</u>
Cash Disbursements			
Current:			
General Government	22,100	22,726	44,826
Public Safety	10,581		10,581
Public Works		278,144	278,144
Health		4,256	4,256
Debt Service:			
Principal Retirement	0	6,376	6,376
Interest and Fiscal Charges	0	1,706	1,706
<i>Total Cash Disbursements</i>	<u>32,681</u>	<u>313,208</u>	<u>345,889</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(11,320)</u>	<u>4,091</u>	<u>(7,229)</u>
Other Financing Receipts(Disbursements)			
Other Financing Sources	1,738	0	1,738
Other Financing Uses	0	(1,738)	(1,738)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,738</u>	<u>(1,738)</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(9,582)</u>	<u>2,353</u>	<u>(7,229)</u>
<i>Fund Cash Balances, January 1</i>	<u>31,074</u>	<u>47,639</u>	<u>78,713</u>
Fund Cash Balances, December 31			
Restricted	0	49,992	49,992
Assigned	21,492	0	21,492
<i>Fund Cash Balances, December 31</i>	<u><u>\$21,492</u></u>	<u><u>\$49,992</u></u>	<u><u>\$71,484</u></u>

The notes to the financial statements are an integral part of this statement.

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Jefferson Township
Noble 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 the Jefferson Township, Noble 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Caldwell Volunteer Fire Department to provide fire services.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, which 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:

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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.

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Federal Emergency Management Assistance (FEMA) Fund The FEMA fund receives grant monies for the clean-up, repair and replacement of township roads and bridges damaged during an event declared a federal disaster by FEMA.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 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 § 117.38 and Ohio Administrative Code 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. Appropriations lapse at year end.

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

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

A summary of 2019 budgetary activity appears in Note 4.

Deposits

The Township pools all available funds of the Township in an interest-bearing checking account and a certificate of deposit.

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.

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Miscellaneous Special Revenue Fund by \$182,966 for the year ended December 31, 2019.

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

Note 4 – 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	\$13,602	\$23,670	\$10,068
Special Revenue	294,666	316,728	22,062
Total	\$308,268	\$340,398	\$32,130

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,414	\$32,681	\$13,733
Special Revenue	157,602	314,946	(157,344)
Total	\$204,016	\$347,627	(\$143,611)

Note 5 – 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:

Demand deposits	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">2019</td> </tr> <tr> <td style="text-align: center; border-bottom: 3px double black;">\$71,484</td> </tr> </table>	2019	\$71,484
2019			
\$71,484			

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – 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.

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

Note 7 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

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

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

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

Social Security

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

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

Note 8 – Defined Benefit Pension Plan (Continued)

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

Note 9 – Postemployment Benefits

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

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Debt

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

	Principal	Interest Rate
General Obligation Notes	\$27,134	4.75%

The Township issued notes in the amount of \$35,900 in 2018 to finance the purchase of a tractor for repair and maintenance of Township roads. The notes are collateralized by the full faith and credit of the Township. There annual principal and interest payments made on the notes.

This loan information was not previously reported by the Township in the 2018 Annual Report. The ending loan bank balance at December 31, 2018 was \$33,757.

Amortization

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

Year Ending December 31:	Township Equipment Notes
2020	\$8,081
2021	8,081
2022	8,081
2023	5,387
Total	\$29,630

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

Note 12 – Financial Difficulties

At December 31, 2019, the following funds had adjustments which the Township declined to make in the following amounts (this table also includes adjustments from 2010 through 2019 that the Township declined to make in those years):

Fund	December 31, 2019 Balance	Adjustments Not Made	Effect on December 30, 2019 Balance
General	\$22,063	(\$43,468)	(\$21,405)
Special Revenue	49,421	43,468	92,889

The Township has no formal plans for increasing the revenue stream of the General Fund but is monitoring all expenditures of the General Fund. The adjustments not made in the Special Revenue Fund type would have resulted in an increase in the Motor Vehicle License Tax Fund of \$1,141, the Gasoline Tax Fund of \$36,911 and the Road and Bridge Fund of \$5,416.

Note 13 – Subsequent Event

COVID-19

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

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OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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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
Noble County
38916 Sheep Skin Ridge Road
Lower Salem, OH 45745

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type as of and for the years ended December 31, 2020 and 2019, and the related notes of Jefferson Township, Noble County, Ohio (the Township), and have issued our report thereon dated December 29, 2021, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(D) permit. We issued an adverse opinion on the 2020 and 2019 financial statements due to the Township declining to make audit adjustments from current and prior years. We noted the Township is experiencing financial difficulties. 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 Government'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 Government'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 Government's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2020-001 through 2020-003 and 2020-006 and 2020-007 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Government'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 through 2020-005.

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 Government's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Government's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

December 29, 2021

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

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

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

FINDING NUMBER 2020-001

Finding for Adjustment/Noncompliance/Material Weakness

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated. By summary, Ohio Revised Code § 505.24(C) permits trustees to receive per diem payments or annual salaries if voted upon unanimously by the township board of trustees.

If using the annual salary compensation method, 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 Ohio Revised Code § 505.24(C), 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.

For the audit period January 1, 2007 to December 31, 2008, Trustees' salaries were incorrectly paid from the Gasoline Tax Fund in the amount of \$250 instead of the General Fund, as proper.

For the audit period January 1, 2009 to December 31, 2010, Trustees' salaries were incorrectly paid from the Gasoline Tax Fund in the amount of \$139 instead of the General Fund, as proper.

For the audit period January 1, 2011 to December 31, 2012, Trustees' salaries were incorrectly paid from the Gasoline Tax Fund in the amount of \$3,832 instead of the General Fund, as proper.

For the audit period January 1, 2019 to December 31, 2020 one of the Trustees' monthly time certifications indicated that 5% of the time was spent on General Fund activities, 20% of the time was spent on Motor Vehicle License activities and 75% on Gasoline Tax Fund activities.

However, the salaries were allocated 5% to the General Fund, 10% to the Motor Vehicle License Fund, and 85% to the Gasoline Tax Fund. Additionally, the related employer contributions (OPERS, Medicare, and insurance reimbursements) paid did not follow the payroll allocation. Each year, an additional \$808 should have been charged to the Motor Vehicle License Fund and the Gasoline Tax Fund should have been charged \$808 less.

The Township has failed to post adjustments to the Township records based on the citations in the previous audits. Therefore, the amounts cited in the previous finding for adjustments, along with the current adjustments, have accumulated. In accordance with the foregoing facts, a finding for adjustment has been issued against the Jefferson Township's General Fund, in the aggregate amount of \$4,221 and against the Motor Vehicle License Fund in the amount of \$1,616 and in favor of the Jefferson Township Gasoline Tax in the amount of \$5,837. The Fiscal Officer has not posted these adjustments to the Township records and therefore, these adjustments are not reflected in the accompanying financial statements. These errors resulted in misstatements to the financial statements.

The Township should monitor policies and procedures to help ensure compensation and certifications are made in accordance with Ohio Rev. Code § 505.24.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-002

Noncompliance and Material Weakness

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

We noted the following in 2020:

- Bureau of Workers Compensation refunds were posted 100% to General Fund instead of \$1,366 being properly allocated to the Gasoline Tax Fund.

In accordance with the foregoing facts, a finding for adjustment has been issued against the Jefferson Township's General Fund, in the amount of \$1,366 and in favor of the Jefferson Township Gasoline Tax in the amount of \$1,366. The Fiscal Officer has not posted these adjustments to the Township records and therefore, these adjustments are not reflected in the accompanying financial statements

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

The Township Fiscal Officer should utilize available authoritative resources to appropriately classify and record receipt transactions.

FINDING NUMBER 2020-003

Finding for Adjustment/Noncompliance/Material Weakness

Ohio Rev. Code § 5705.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund is established.

For the audit period January 1, 2009 to December 31, 2010, Township paid various obligations from Special Revenue road funds, the Motor Vehicle License Tax Fund in the amount of \$3,461, the Gasoline Tax Fund in the amount of \$13,959, and the Road and Bridge Fund in the amount of \$946, that should had been paid from the General Fund, in the amount of \$18,366.

For the audit period January 1, 2011 to December 31, 2012, the Township paid various obligations from Special Revenue road funds, the Motor Vehicle License Tax Fund, in the amount of \$2,578, the Gasoline Tax Fund, in the amount of \$12,474, and the Road and Bridge Fund, in the amount of \$1,167, that should had been paid from the General Fund, in the amount of \$16,219

During 2020 health insurance reimbursements for the Trustees were paid from the Gasoline Tax Fund instead of the General Fund in the amount of \$457 and the Motor Vehicle License Tax Fund in the amount of \$1,828.

During 2019 health insurance reimbursements for the Trustees were paid from the Gasoline Tax Fund instead of the General Fund in the amount of \$430 and the Motor Vehicle License Tax Fund in the amount of \$1,722.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2020-003
(Continued)**

Finding for Adjustment/Noncompliance/Material Weakness (Continued)

In accordance with the foregoing facts, a prior and current finding for adjustment has been issued in favor of the Jefferson Township Motor Vehicle License Tax, the Gasoline Tax and the Road and Bridge Funds in the amounts of \$2,489, \$30,870 and \$2,113 and against the Jefferson Township General Fund in the amount of \$35,472. These errors resulted in misstatements to the financial statements as the Fiscal Officer has not posted these adjustments to the Township records and therefore, these adjustments are not reflected in the accompanying financial statements.

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

The Township Fiscal Officer should utilize available authoritative resources to appropriately classify and record all expenditure transactions. This guidance will help ensure the Fiscal Officer makes proper postings to expenditure account classifications based on the nature of the expenditure

FINDING NUMBER 2020-004

Noncompliance

Ohio Rev. Code § 5705.40 states that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Supplemental appropriations and appropriation amendments were posted to the Miscellaneous Special Revenue Fund in 2020 and 2019 without approval from the Board of Trustees. Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Township's Miscellaneous Special Revenue Fund had expenditures in excess of appropriations of \$21,944 and \$182,966, as of December 31, 2020 and 2019.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Board of Trustees should approve all supplemental appropriations and appropriation amendments. They should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-005

Noncompliance

Ohio Rev. Code Chapter 133 authorizes certain methods by which subdivisions may incur debt.

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

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

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

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

During 2019 and through October 2020, the Township made principal payments on outstanding promissory notes with Farmers & Merchants Bank in the amount of \$6,375 during each year. The promissory note was used by the Township to purchase a tractor for repair and maintenance of Township roads.

This type of debt is not authorized in Ohio Rev. Code Chapter 133. The Township had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions. Inadequate policies and procedures related to debt issuance can result in illegal expenditures by the Township.

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

FINDING NUMBER 2020-006

Material Weakness

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

The Ohio Township Handbook (revised March 2019) provides suggested account classifications. These accounts classify receipts by fund and source (property taxes or intergovernmental revenue, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2020-006
(Continued)**

Material Weakness (Continued)

The Township did not always record receipts and disbursements into accurate classifications, or record all such transactions, based upon the source of the receipt or the nature of the disbursement.

In addition, the Township did not always properly classify its December 31, 2019 governmental fund cash balances in accordance with Governmental Accounting Standards Board (GASB) Statement Number 54 - Fund Balance Reporting and Governmental Fund Type Definitions, effective for fiscal years beginning after June 15, 2010.

We noted the following in 2020 and 2019:

- Bureau of Workers Compensation receipts in the amount of \$4,408 was posted to Other Financing Sources instead of Miscellaneous in the General Fund in 2020.
- The General Fund amount appropriated over estimated receipts in the next fiscal year was classified as Unassigned rather than Assigned in the amount of \$21,492 in 2019.
- Bridgeport Equipment, a private company, paid off the 2018 promissory note on-behalf-of the Township in the amount of \$18,816. The Township did not reflect this in the accounting records; therefore, we proposed an adjustment to miscellaneous receipts and debt principal for the above amount in the Gasoline Tax Fund.

Audit adjustments noted above for 2020 and 2019 have been agreed to by management and are reflected in the financial statements and in the accounting records correcting the misstatement.

We also noted the following misclassifications:

- The receipt of an equipment trade-in of \$1,183 was posted to Intergovernmental instead of Other Financing Sources in the Gasoline Tax Fund in 2020.
- Homestead and rollback receipts were posted to Taxes instead of Intergovernmental in the General and Road and Bridge Funds in the amounts of \$632 and \$566, respectively, in 2020.
- Homestead and rollback receipts were posted to Taxes instead of Intergovernmental in the General and Road and Bridge Funds in the amounts of \$638 and \$571, respectively, in 2019.
- Liquor permit receipt of \$383 was posted to Miscellaneous instead of Intergovernmental in the General Fund in 2019.
- Principal and interest payments in the amounts of \$4,158 and \$358, respectively, were posted to Public Works in the Gasoline Tax Fund in 2020.
- Principal payments for the Motor Vehicle License Tax, Gasoline Tax and Road and Bridge Funds were posted to interest in the amounts of \$57, \$396, and \$113, respectively.

As these errors are not significant to the opinion units affected in 2020 or 2019, the reclassifications noted above were agreed to by management but will not be posted to the financial statements.

The Township did not have a control process in place to help ensure receipts, expenditures, and fund balances are recorded in the correct classification.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2020-006
(Continued)**

Material Weakness (Continued)

Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and increases the risk that management would not be provided an accurate picture of the Township's financial position and operations.

The Township should take the necessary steps to ensure that all receipts, disbursements and fund balances are properly presented and disclosed in the Township's financial statements. When classifying fund balance in accordance with GASB 54 the Fiscal Officer should refer to Auditor of State Bulletin 2011-004 for guidance.

FINDING NUMBER 2020-007

Material Weakness

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.

Sound accounting practices require accurately posting appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board of Trustees to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board of Trustees are precisely stated and accurately posted to the appropriation ledger.

The following variance occurred in 2020:

Fund	Approved Appropriations	Appropriations posted to the System	Variance
Miscellaneous Special Revenue Fund	\$0	\$53,078	\$53,078

The following variance occurred in 2019:

Fund	Approved Appropriations	Appropriations posted to the System	Variance
Miscellaneous Special Revenue Fund	\$0	\$182,966	\$182,966

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2020-007
(Continued)**

Material Weakness (Continued)

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Board of Trustees were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board of Trustees. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response: We did not receive a response from Officials to the findings reported above.

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**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2020 and 2019**

Finding Number	Finding Summary	Status	Additional Information
Finding for Adjustments 2007-08, 2009-10, 2011-12	Adjustments for mispostings from prior audits.	Not Corrected	Cumulative amount of unposted adjustments is General Fund (\$42,467), Gasoline Tax Fund \$35,910, Motor Vehicle License Tax Fund \$1,141 and Road and Bridge Fund \$5,416.
2018-001	Material Weakness – Receipts, expenditures and fund balances not properly classified.	Not Corrected	Repeated as Finding 2020-005

OHIO AUDITOR OF STATE KEITH FABER



JEFFERSON TOWNSHIP

NOBLE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 2/3/2022

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

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