



OHIO AUDITOR OF STATE  
**KEITH FABER**





**JEFFERSON TOWNSHIP  
MONTGOMERY COUNTY  
DECEMBER 31, 2019**

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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 by fund type, and related notes of Jefferson Township, Montgomery County, Ohio (the Township) as of and for the year ended December 31, 2019.

### ***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, 2019, 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 by fund type, and related notes of Jefferson Township, Montgomery County, as of December 31, 2019, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 10 to the financial statements for the year ended December 31, 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2020, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

June 9, 2020

**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, 2019**

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$101,377	\$1,859,596		\$1,960,973
Charges for Services		179,736		179,736
Licenses, Permits and Fees	55,441	2,550		57,991
Fines and Forfeitures	3,624			3,624
Intergovernmental	85,403	632,998		718,401
Special Assessments	253,008	107,806		360,814
Earnings on Investments	2			2
Miscellaneous	6,051	5,622		11,673
<i>Total Cash Receipts</i>	<u>504,906</u>	<u>2,788,308</u>		<u>3,293,214</u>
<b>Cash Disbursements</b>				
Current:				
General Government	403,201	4,979		408,180
Public Safety		2,037,028		2,037,028
Public Works		520,971		520,971
Health		1,904		1,904
Capital Outlay	2,591	58,628		61,219
Debt Service:				
Principal Retirement		49,230		49,230
Interest and Fiscal Charges		23,494		23,494
<i>Total Cash Disbursements</i>	<u>405,792</u>	<u>2,696,234</u>		<u>3,102,026</u>
<i>Excess of Receipts Over Disbursements</i>	<u>99,114</u>	<u>92,074</u>		<u>191,188</u>
<b>Other Financing Receipts (Disbursements)</b>				
Proceeds of Debt		41,709		41,709
Transfers In		3,773		3,773
Transfers Out	(3,773)			(3,773)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,773)</u>	<u>45,482</u>		<u>41,709</u>
<i>Net Change in Fund Cash Balances</i>	95,341	137,556		232,897
<i>Fund Cash Balances, January 1</i>	<u>25,552</u>	<u>1,212,255</u>	<u>\$24,998</u>	<u>1,262,805</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		1,349,811	24,998	1,374,809
Assigned	120,462			120,462
Unassigned	431			431
<i>Fund Cash Balances, December 31</i>	<u>\$120,893</u>	<u>\$1,349,811</u>	<u>\$24,998</u>	<u>\$1,495,702</u>

See accompanying notes to the basic financial statements

JEFFERSON TOWNSHIP  
MONTGOMERY COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGE IN FUND BALANCE (REGULATORY CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2019

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	<u>Custodial</u>
<b>Operating Cash Receipts</b>	
Miscellaneous	\$30,681
<i>Total Operating Cash Receipts</i>	<u>30,681</u>
<b>Operating Cash Disbursements</b>	
Contractual Services	75,550
<i>Total Operating Cash Disbursements</i>	<u>75,550</u>
<i>Net Change in Fund Cash Balance</i>	(44,869)
<i>Fund Cash Balance, January 1</i>	<u>74,060</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$29,191</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, 2019**

**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 receipts, disbursements and change in fund balance (regulatory cash basis) for the Township's fiduciary fund type which are 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 Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**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, 2019**

**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 fund:

**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.

**4. Fiduciary Funds**

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

Custodial funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's 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, 2019**

**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 2019 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.

**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, 2019**

**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*. 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.

**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.

**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**

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

	<u>2019</u>
Demand deposits	\$1,524,893

**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.

**3. COMPLIANCE**

Contrary to Ohio law, the Township did not certify the availability of funds prior to purchase commitment for 5 of 6 (83%) tested disbursements and the minutes for the Board of Trustees meetings were not promptly prepared, filed, and maintained.

**JEFFERSON TOWNSHIP  
MONTGOMERY COUNTY**

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

**4. BUDGETARY ACTIVITY**

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

<b>2019 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$409,062	\$504,906	\$95,844
Special Revenue	2,571,366	2,833,790	262,424
Capital Projects	0	0	0
Total	<u>\$2,980,428</u>	<u>\$3,338,696</u>	<u>\$358,268</u>

<b>2019 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$431,881	\$409,760	\$22,121
Special Revenue	3,094,090	2,696,248	397,842
Capital Projects	0	0	0
Total	<u>\$3,525,971</u>	<u>\$3,106,008</u>	<u>\$419,963</u>

**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, 2019 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Township Building Bonds	\$292,508	4.625%
Fire Station Bonds	196,000	4.625%
Stryker Equipment Loan	5,063	0.0%
Ford Interceptor Lease	32,119	7.5%
Total	<u>\$525,690</u>	

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.

**JEFFERSON TOWNSHIP  
MONTGOMERY COUNTY**

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

**6. DEBT (Continued)**

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 2019, the Township entered into a lease agreement to finance the purchase of a Ford Interceptor to be used by the Fire Department. The lease is scheduled to be repaid in 2023.

***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 Lease
2020	\$29,356	\$20,951	\$4,050	\$9,590
2021	30,556	20,371	1,013	9,590
2022	30,724	19,816		9,590
2023	29,845	20,261		9,590
2024	29,971	20,655		
2025-2029	150,631	100,134		
2030-2034	90,892	72,276		
Total	<u>\$391,975</u>	<u>\$274,464</u>	<u>\$5,063</u>	<u>\$38,360</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, 2019.

**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.

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 employee's wages. The Township has paid all contributions required through December 31, 2019.

**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, 2019.

**JEFFERSON TOWNSHIP  
MONTGOMERY COUNTY**

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

**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, 2018, the most recent information available:

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

**10. SUBSEQUENT EVENTS**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The Township's investments of the pension and other employee benefit plan in which the Township participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. 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.

**JEFFERSON TOWNSHIP  
MONTGOMERY COUNTY**

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

**10. SUBSEQUENT EVENTS (Continued)**

Additionally, in November 2019 the Township passed an additional tax levy of 5.5 mills to benefit the Fire/EMS Fund. The additional tax is first due in 2020.

**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.

# 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 by fund type of Jefferson Township, Montgomery County, (the Township) as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 9, 2020 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2019-002 and 2019-004.

***Township's Responses to Findings***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

June 9, 2020

JEFFERSON TOWNSHIP  
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2019

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

FINDING NUMBER 2019-001

**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 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 recorded expenditures of \$1,185 for maintenance on fire protection systems as debt service: principal retirement disbursements in the Capital Projects Fund. As a result, debt service: principal retirement disbursements were overstated and cash was understated by \$1,185 in the Capital Projects fund. Further, public safety disbursements were understated and cash was overstated by \$1,185 in the Fire/EMS (Special Revenue) fund.
- The Township improperly classified a portion of Custodial fund activity to a Private Purpose Trust fund and improperly classified activity within the fund in 2019. As a result, opening equity was understated and non-operating receipts: miscellaneous were overstated by \$16,000 in the Private Purpose Trust fund. Further, opening equity was overstated and operating receipts: miscellaneous were understated by \$16,000 in the Custodial fund.
- The Township improperly classified Custodial fund activity during 2019. As a result, non-operating receipts: miscellaneous and non-operating disbursements: capital outlay were overstated by \$14,681 and \$75,550, respectively, in the Custodial fund. Further, operating receipts: miscellaneous and operating disbursements: contractual services were understated by \$14,681 and \$75,550, respectively, in the Custodial fund.
- The Township improperly posted county-levied permissive motor vehicle license tax receipts to the Motor Vehicle License Tax (Special Revenue) fund in 2019. As a result, intergovernmental receipts and cash were overstated by \$21,115 in the Motor Vehicle License Tax (Special Revenue) fund, and intergovernmental receipts and cash were understated by the same amount in the Permissive Motor Vehicle License Tax (Special Revenue) fund.
- The Township improperly posted property tax receipts at net rather than gross in several funds in 2019. As a result, property tax receipts were understated by \$2,931, \$6,763, \$21,916, and \$19,525 in the General, Road and Bridge (Special Revenue), Police (Special Revenue), and Fire/EMS (Special Revenue) funds, respectively. Additionally, general government disbursements were understated by \$2,931 in the General fund; public works disbursements were understated by \$6,763 in the Road and Bridge (Special Revenue) fund; and public safety disbursements were understated by \$21,916 and \$19,525 in the Police (Special Revenue) and Fire/EMS (Special Revenue) funds, respectively.
- The Township improperly posted special assessment receipts at net rather than gross for the General fund. As a result, general government disbursements and special assessments receipts were understated by \$20,587 in the General fund.
- The Township improperly posted a portion of General fund special assessment receipts as intergovernmental receipts. As a result, special assessments receipts were understated by \$7,192 and intergovernmental receipts were overstated by \$7,192 in the General fund.

**FINDING NUMBER 2019-001  
(Continued)**

- The Township did not record the inception of a lease in 2019. As a result, other financing receipts: proceeds of lease and capital outlay disbursements were understated by \$41,709 in the Fire/EMS (Special Revenue) fund.
- The Township improperly classified a lease payment in 2019. As a result, capital outlay disbursements were overstated and debt service: principal retirement disbursements were understated by \$9,590 in the Fire/EMS (Special Revenue) fund.
- The Township improperly classified debt service payments during 2019. As a result, debt service: principal disbursements were understated by \$14,148 and debt service: interest disbursements, public safety disbursements, and capital outlay disbursements were overstated by \$509, \$4,050, and \$9,589, respectively, in the Fire/EMS (Special Revenue) fund.
- The Township improperly posted a portion of a transaction as a disbursement instead of a receipt. As a result, general government disbursements were overstated by \$103, miscellaneous receipts were understated by \$103, and cash was understated by \$206 in the General fund. Further, cash was understated by \$971, miscellaneous receipts were understated by \$486, and public works disbursements were overstated by \$485 in the Road and Bridge (Special Revenue) fund. In addition, cash was understated by \$888, miscellaneous receipts were understated by \$444, and public safety disbursements were overstated by \$444 in the Fire/EMS (Special Revenue) fund.
- Auditor of State Bulletin 2011-004 states, in part, when the appropriation measure is adopted for the subsequent year, and those appropriations exceed estimated receipts, the excess is to be assigned as it uses existing fund balance at year-end. This would be applicable only to the General Fund as it is the only fund with a positive unassigned fund balance. The Township did not properly classify the amount by which appropriations exceeded estimated receipts for the subsequent fiscal year in 2019. As a result, assigned balance was understated and unassigned balance was overstated by \$120,462 in the General fund.
- The Township improperly posted special assessment receipts at net rather than gross for the Lighting District. As a result, public works disbursements and special assessment receipts were understated by \$2,504 in the Lighting District (Special Revenue) fund.

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts, in the proper amounts, and in the correct years. 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. The Township should also implement procedures to review Auditor of State Bulletin 2011-004 prior to completion of the financial statements to verify that all ending fund balances reported comply with its requirements. Failure to do so could result in financial statement users basing their decisions on materially misstated information.

**Fiscal Officer's Response:**

Education is still ongoing on how to classify funds in order for the financial statements to be accurate. The Township needs a policy and procedures document containing a guide to follow for verifying the Township funds are being properly coded for reporting purposes.

**Trustees' Response:**

The Board of Trustees were unable to access financial information to independently verify balances and posted money. It was not possible to implement controls or verify balances because the Fiscal Officer was not current with her work. All the issues itemized in this finding were solely the work product of the Fiscal Officer and in her control. Her reporting to the Trustees are summary reports not line by line transactions.

## FINDING NUMBER 2019-002

### Noncompliance

**Ohio Rev. Code § 5705.41(D)(1)** states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are : "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in the sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate - If the fiscal officer can certify that both at the time the contract or order was made ("then") and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without resolution or ordinance upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not to exceed an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The Township may also make expenditures and contract for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. The certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for five of the six (83%) tested disbursements in 2019, wherein the invoice date preceded the purchase order date, and none of the three exceptions above were obtained.

For three of five (60%) super blanket certificates tested, the Township issued super blanket certificates that were not for a specific recurring and reasonably predictable operating expenses.

In addition, the Township issued blanket certificates during 2019; however, there was no Trustee-approved resolution that established the maximum amount at which the Township could issue blanket certificates.

**FINDING NUMBER 2019-002  
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Township should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used, and the Board of Trustees should formally approve all "then and now" certifications by resolution during regular meetings within thirty days of receipt of the "then and now" purchase order if over \$3,000. The Township Trustees should also adopt a resolution establishing a maximum amount for blanket certificates and only use super blanket certificates as allowed under the Ohio Rev. Code. Failure to properly certify the availability of funds could result in misappropriation of monies and negative cash fund balances.

**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 2019-003**

**Material Weakness**

Sound accounting practices require accurately posting estimated receipts and appropriations to the accounting system to provide information for budget versus actual comparison and to allow the 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 Trustees are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditure for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The Township received an Official Certificate of Estimated Resources from the Montgomery County Budget Commission and approved annual appropriation measures. The amount of estimated receipts from the certificate and the approved appropriations for each fund should be entered into the accounting system to enable the Township to monitor budgetary compliance with the approved budgeted amounts throughout the year.

The amounts entered into the accounting system as estimated receipts for 2019 did not agree to the Official and Amended Certificates of Estimated Resources as received from the Montgomery County Budget Commission. Variances between the Amended Certificate and the accounting system ranged from \$(22,049) to \$16,359.

The amounts entered into the accounting system as appropriations for 2019 did not agree to the approved appropriation measures. Variances between approved appropriations and the accounting system ranged from \$(695,634) to \$86,848.

**FINDING NUMBER 2019-003  
(Continued)**

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. 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 notes to the financial statements.

**Fiscal Officer's Response:**

Understanding what the issue is here is the key to developing the proper policies and procedures in preventing this from happening again in 2020 and future years.

**Trustees' Response:**

The department heads and Board of Trustees always had concerns whether or not the balances reported by the Fiscal Officer were accurate and up to date. Therefore we had a tendency to underspend and budget with a buffer to prevent over spending our estimating resources. Having the U.A.N. access will help us have more accurate information to manage those budgetary decisions. We try to set our appropriations based on 70-80% of estimated resources given the fact tax revenue fluctuates.

**FINDING NUMBER 2019-004**

**Noncompliance**

**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.

The Board of Trustees meeting minutes (the minutes) for the fifteen meetings held from October 1, 2019 through December 30, 2019 were not promptly prepared, filed and open to public inspection. The minutes for twelve of the meetings were prepared in April 2020 and approved by the Board of Trustees on May 5, 2020. The minutes for two of the meetings were prepared in May 2020 but not approved by the Board of Trustees as of the opinion date. And the minutes for the December 30, 2019 meeting were not prepared or approved as of the opinion date; however, the approved resolutions and agenda were provided for audit.

In addition, the following deficiencies were identified in the Township's Board of Trustees meeting minutes:

- The Trustees approved Resolution 19-119 on November 19, 2019 to make transfers in the amount of \$46,699 and \$3,373 from the General Fund. The Resolution did not specify the funds to receive the transfers. Additionally, the approved transfer of \$46,699 was not posted to the accounting system as the approval should have been to post required audit adjustments to the accounting system from the 2016-2018 financial audit. Further, the other transfer approved was posted as a transfer from the General Fund to the Cemetery Fund of \$3,773, a difference of \$400 from the approved amount.
- The Trustees approved Resolutions 19-143.01 to 19-143.41; however, these Resolutions did not have Trustee signatures.

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. 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.

**FINDING NUMBER 2019-004  
(Continued)**

**Fiscal Officer's Response:**

Because Jefferson Township Board of Trustees made the decision to have minutes typed "word for word," time became a factor and there was no one available in the Township to continue this task every two weeks. A decision was made late in the year to hire an outside vendor to type minutes but they still needed them reviewed by someone in the Township. The review of the minutes was time consuming and was not complete until 2020 as time permitted. A resolution needs to be approved to rescind the "word for word" minutes or another solution should be chosen and approved.

**Trustees' Response:**

The Board of Trustees operates on a policy of keeping a word for word transcript of the minutes. The Board of Trustees own up to this finding. The reason we became behind are related to active and pending litigation that resulted in finding an alternative source to produce the minutes. The issue of how we maintain the minutes will subject to a future discussion from the Board of Trustees. The intent would be to make this work less labor intense. It currently takes about 20-25 hours a week to transcribe our meetings. It is costing the Township about \$500 per meeting for professional transcription. The board is unified on making sure this type of finding does not happen again.



# JEFFERSON TOWNSHIP

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS December 31, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	The Official Estimated Resources Certificate and it subsequent Amended Certificates as well as the approved appropriation measures did not match the UAN entries.	Not Corrected	<p>Prior incorrect budgeting practices have not been fully corrected, leading to the recurrence of the issues noted in this comment.</p> <p>The corrective action plan is for the Fiscal Officer, Administrator, Trustees and other department heads 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>
2018-002	The township's Fiscal Officer did not correctly record the financial activities in UAN. This resulted in numerous reclassifications and adjustments.	Not Corrected	<p>Prior incorrect practices have not yet been fully corrected, leading to the recurrence of the issues noted in the comments.</p> <p>The corrective action plan is for the Fiscal Officer, administrator, and Trustees to continue to obtain education on proper financial management procedures and to establish and implement processes to verify that amounts are properly and timely entered into the accounting system.</p>
2018-003	The Township is not properly certifying disbursements.	Not Corrected	<p>The certification process is not correctly implemented. Only one department in the township is working closely with the fiscal officer and is following a process of certification. The other departments still have a learning curve on the correct certification to use.</p> <p>The corrective action plan is for the</p>

			<p>fiscal officer to implement an approved and proper encumbering procedure for the Township, following proper budgetary guidelines, and for all departments in the Township to utilize proper purchase order procedures for all disbursements. All management and staff of the Township, including the Fiscal Officer, Administrator, Trustees and department heads, should obtain proper training on the use of purchase order certifications, and should implement these procedures to ensure that disbursements are properly certified prior to payment.</p>
<b>2018-004</b>	<p>The Fiscal Officer and the Trustees did not certify their time spent on various Township activities during the audit period. Without the certifications required by the Ohio Revised Code, all elected officials should be paid from the General fund.</p>	Partially Corrected	<p>The Jefferson Township Fiscal Officer follows the Schedule of Payroll Allocation as approved by the Board of Trustees. The Board of Trustees makes the decision based on what they feel is appropriate. The Jefferson Township Fiscal Officer allocates payroll in UAN as approved by the Trustees per the Payroll Schedule. All Trustees are not turning in a copy of their payroll certification to the Fiscal Officer but may be turning it into someone else. The Fiscal Officer has not been made aware of the process the Township has implemented.</p> <p>The corrective action plan is the Trustees should develop a policy and related procedure to follow for the process of providing payroll certification.</p>
<b>2018-005</b>	<p>Due to the Township's lack of controls over the budgetary process, appropriations exceeded estimated resources.</p>	Fully Corrected	N/A
<b>2018-006</b>	<p>The Township allocated attorney fees to other funds rather than allocating the fees to the General fund.</p>	Fully Corrected	N/A

# OHIO AUDITOR OF STATE KEITH FABER



**JEFFERSON TOWNSHIP**

**MONTGOMERY COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 30, 2020**