



**BAUGHMAN TOWNSHIP  
WAYNE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2018-2017**



**BAUGHMAN TOWNSHIP  
WAYNE COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Baughman Township  
Wayne County  
P.O. Box 1  
Marshallville, Ohio 44645

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Baughman Township, Wayne County, Ohio (the Township) as of and for the years ended December 31, 2018 and 2017.

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

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

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

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

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

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

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

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

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

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

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

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

***Basis for Additional Opinion Qualification***

Charges for services receipts are reported at \$23,192 for the year ended December 31, 2018, which are 14.2% of General Fund cash receipts. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as charges for services receipts. Consequently, we were unable to determine whether any audit adjustments to these amounts were necessary.

***Additional Opinion Qualification***

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statement referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the General Fund, of Baughman Township, Wayne County, Ohio, as of December 31, 2018, and 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 2.

***Unmodified Opinions***

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 Baughman Township, Wayne County, Ohio, as of December 31, 2017 and 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 2.

Also in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements of the Special Revenue Funds, and related notes of Baughman Township, Wayne County, Ohio, as of December 31, 2018 and 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 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2019, 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

May 14, 2019

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$52,178	\$139,250	\$191,428
Charges for Services	23,192	-	23,192
Intergovernmental	40,932	122,361	163,293
Special Assessments	5,174	-	5,174
Earnings on Investments	18,970	345	19,315
Miscellaneous	22,559	-	22,559
<i>Total Cash Receipts</i>	<u>163,005</u>	<u>261,956</u>	<u>424,961</u>
<b>Cash Disbursements</b>			
Current:			
General Government	127,708	-	127,708
Public Safety	75,982	-	75,982
Public Works	23,826	141,873	165,699
Health	17,612	-	17,612
Capital Outlay	3,059	-	3,059
<i>Total Cash Disbursements</i>	<u>248,187</u>	<u>141,873</u>	<u>390,060</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(85,182)</u>	<u>120,083</u>	<u>34,901</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Uses	(4,000)	-	(4,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(4,000)</u>	<u>-</u>	<u>(4,000)</u>
<i>Net Change in Fund Cash Balances</i>	(89,182)	120,083	30,901
<i>Fund Cash Balances, January 1</i>	<u>1,195,013</u>	<u>97,298</u>	<u>1,292,311</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	217,381	217,381
Assigned	406,937	-	406,937
Unassigned (Deficit)	698,894	-	698,894
<i>Fund Cash Balances, December 31</i>	<u>\$1,105,831</u>	<u>\$217,381</u>	<u>\$1,323,212</u>

*See accompanying notes to the basic financial statements*

**BAUGHMAN TOWNSHIP  
WAYNE COUNTY**

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

**Note 1. Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Baughman Township, Wayne 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. The Township contracts with the North Lawrence Voluntary Fire Department and Orrville Fire Department to provide fire and ambulance services.

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, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary 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:

**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.

**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:

**Gas Tax Fund:** The fund receives gasoline tax money for constructing, maintaining, and repairing Township roads.

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

**BAUGHMAN TOWNSHIP  
WAYNE COUNTY**

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

**Note 2. Summary of Significant Accounting Policies (continued)**

**Basis of Accounting**

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

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

**Budgetary Process**

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

**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. Appropriations lapse at year end.

**2. 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.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. A summary of 2018 budgetary activity appears in Note 4.

**Deposits and Investments**

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

**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.

**BAUGHMAN TOWNSHIP  
WAYNE COUNTY**

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

**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:

**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.

**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.

**BAUGHMAN TOWNSHIP  
WAYNE COUNTY**

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

**Note 3. Budgetary Activity**

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

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

2018 Budget Vs Actual Receipts

Fund Type	Budget Receipts	Actual Receipts	Variance
General	\$119,861	\$163,005	\$43,144
Special	\$256,947	\$261,956	\$5,009
Total	\$376,808	\$424,961	\$48,153

2018 Budget Vs Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$804,398	\$252,187	\$552,211
Special	\$348,000	\$141,873	\$206,127
Total	\$1,152,398	\$394,060	\$758,338

Note: Encumbrances are not carried forward to the subsequent year

**Note 4. Deposits and Investments**

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2018 was as follows:

Demand Deposits	\$253,204
Certificates of Deposit	\$1,070,008
Total Deposits and Investments	\$1,323,212

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

**Investments:** The Federal Reserve holds the Township's Federal securities in book-entry form in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

**BAUGHMAN TOWNSHIP  
WAYNE COUNTY**

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

**Note 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.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**Note 6. Risk Management**

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, if material.

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Township also provides medical and dental insurance coverage to its officials and full-time Employees through the Wayne County Benefit Plan.

**Note 7. Defined Benefit Pension Plans**

**Ohio Public Employees Retirement System**

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multi-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2018 OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equaling 14% of participants' gross salaries.

The Township has paid all contributions required through December 31, 2018.

**BAUGHMAN TOWNSHIP  
WAYNE COUNTY**

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

**Note 7. Defined Benefit Pension Plans (continued)**

**Social Security**

Baughman Township has one employee that contributed to Social Security. This plan provides Retirement benefits, including survivor and disability benefits to participants. 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, 2018.

**Note 8. Postemployment Benefits**

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

**Note 9. Subsequent Event**

The Township Trustees approved withdrawing from the East Wayne Joint Fire District as of December 31, 2018. The Township may be due some monies back upon separation; however, the amount, if any, is not determinable at the time of this report. The Township contracted with the City of Orrville and North Lawrence Fire Department to provide fire and EMS services beginning January 1, 2019.

**Baughman Township**  
*Wayne County, Ohio*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2017*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$52,785	\$142,752	\$195,537
Charges for Services	17,294	-	17,294
Intergovernmental	38,365	121,342	159,707
Earnings on Investments	17,025	66	17,091
Miscellaneous	13,551	-	13,551
<i>Total Cash Receipts</i>	<u>139,020</u>	<u>264,160</u>	<u>403,180</u>
<b>Cash Disbursements</b>			
Current:			
General Government	166,733	-	166,733
Public Safety	73,932	-	73,932
Public Works	26,831	284,579	311,410
Health	17,595	-	17,595
Capital Outlay	105,748	-	105,748
<i>Total Cash Disbursements</i>	<u>390,839</u>	<u>284,579</u>	<u>675,418</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(251,819)</u>	<u>(20,419)</u>	<u>(272,238)</u>
<i>Net Change in Fund Cash Balances</i>	(251,819)	(20,419)	(272,238)
<i>Fund Cash Balances, January 1</i>	<u>1,446,832</u>	<u>117,717</u>	<u>1,564,549</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	97,298	97,298
Assigned	684,536	-	684,536
Unassigned (Deficit)	510,477	-	510,477
<i>Fund Cash Balances, December 31</i>	<u>\$1,195,013</u>	<u>\$97,298</u>	<u>\$1,292,311</u>

*See accompanying notes to the basic financial statements*



**Baughman Township  
Wayne County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2017**

**Note 1. Summary of Significant Accounting Policies**

**A. Description of the Township**

The constitution and laws of the State of Ohio establish the rights and privileges of Baughman Township, Wayne 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. The Township contracts with the East Wayne Fire District to provide fire and ambulance services. The Township participates in a jointly governed organization, the East Wayne Fire District, which provides fire and ambulance services for the Township. Note 8 to the financial statements provides additional information for the entity.

*Jointly Governed Organization*

The Township participates in a jointly governed organization, the East Wayne Fire District, which provides fire and ambulance services for the Township. Note 8 to the financial statements provides additional information for the entity.

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

**B. Accounting 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 and Investments**

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

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**Baughman Township  
Wayne County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2017  
(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (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.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund 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. Appropriations lapse at year end.

**2. 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.

**3. 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 2017 budgetary activity appears in Note 3.

**Baughman Township  
Wayne County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2017  
(Continued)**

**Note 1. Summary of Significant Accounting Policies (continued)**

**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.

**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.

**Baughman Township  
Wayne County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2017  
(Continued)**

**Note 1. Summary of Significant Accounting Policies (continued)**

**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.

**Note 2. Equity in Pooled Deposits and Investments**

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2017 was as follows:

Demand Deposits	126,499
Certificates of Deposit	1,156,115
Total Deposits	1,282,614
Federated Government Obligations	9,697
Total Investments	9,697
Total Deposits and Investments	1,292,311

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

**Investments:** The Federal Reserve holds the Township's Federal securities in book-entry form in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

**Note 3. Budgetary Activity**

Budgetary activity for the year ended December 31, 2017 follows:

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$117,857	\$139,020	\$21,163
Special	\$255,773	\$264,160	\$8,387
Total	\$373,630	\$403,180	\$29,550

2017 Budgeted Vs. Actual Budgetary Basis Expenditures:

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$1,069,131	\$390,839	\$678,292
Special	\$358,400	\$284,579	\$73,821
Total	\$1,427,531	\$675,418	\$752,113

**Baughman Township  
Wayne County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2017  
(Continued)**

**Note 4. 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.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**Note 5. Retirement System**

**Ohio Public Employees Retirement System**

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multi-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2017 OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equaling 14% of participants' gross salaries.

The Township has paid all contributions required through December 31, 2017.

**Note 6. Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which includes 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 2017. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2017.

**Note 7. Risk Management**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Township also provides medical and dental insurance coverage to its officials and full-time employees through the Wayne County Benefit Plan.

**Baughman Township  
Wayne County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2017  
(Continued)**

**Note 8. Jointly Governed Organizations**

The East Wayne Joint Fire District (the District) is a jointly governed organization pursuant to the Ohio Revised Code 505.371. The District was formed in 2013 and consists of Baughman and Sugar Creek Townships, the Village of Marshallville, and the Village of Dalton. The District board consists of a trustee from each township, a Council member from each Village and an at-large member appointed annually by the participating entities each in turn.

**Note 9. Subsequent Event**

The Township Trustees approved withdrawing from the East Wayne Joint Fire District as of December 31, 2018. The Township may be due some monies back upon separation; however, the amount, if any, is not determinable at the time of this report. The Township contracted with the City of Orrville and North Lawrence Fire Department to provide fire and EMS services beginning January 1, 2019.

# 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

Baughman Township  
Wayne County  
P.O. Box 1  
Marshallville, Ohio 44645

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Baughman Township, Wayne County, Ohio, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated May 14, 2019, 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 qualified our opinion as we were unable to obtain appropriate audit evidence supporting the amount recorded as charges for services receipts in the General Fund for the year ended December 31, 2018.

### ***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 2018-001 and 2018-003 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-002.

***Township's Response to Findings***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

May 14, 2019



**BAUGHMAN TOWNSHIP  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 & 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2018-001**

**Material Weakness – Financial Statement Presentation**

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

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

The following errors were noted in the Township's financial statements:

- During 2018, the Township posted \$19,489, \$5,174, and \$2,500 of Miscellaneous Receipts, Special Assessments and Intergovernmental Receipts, respectively, to Charges for Services in the General Fund.
- During 2018 and 2017, the Township posted \$698,894 and \$510,477, respectively, of Unassigned Fund Balance to Assigned Fund Balance in the General Fund.
- During 2017, the Township posted \$4,038 and \$1,250 of Miscellaneous Receipts and Intergovernmental Receipts, respectively, to Charges for Services in the General Fund.

The errors were the result of the lack of review by management of the Township's year end financial statements. The Township's financial statements and accounting records have been adjusted to correct these items.

Without adequate monitoring the Township is at risk of reporting inaccurate information in their financial statements.

The Township should review the Ohio Township Handbook and exercise due care when posting transactions to help ensure receipts are posted to the correct fund and account. Additionally, the Township should review GASB 54 and Auditor of State Bulletin 2011-004 and ensure they are accurately classifying fund balances. This will help more accurately reflect the Township's financial activity and will aid in more accurate financial reporting.

**Officials' Response:** Baughman Township is aware of the changes needed to revenue entered in charges for services and the changes have been made. Baughman will make corrections for the next year for the Unassigned and Assigned fund balances.

**BAUGHMAN TOWNSHIP  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 & 2017  
(Continued)**

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

**FINDING NUMBER 2018-002**

**Material Non-Compliance – Supporting Documentation**

**Ohio Rev. Code § 149.351(A)** states in part that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of. Ohio Admin. Code § 117-2-02 states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code. It also states the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements.

There was a lack of supporting documentation for charges for services receipts recorded in 2018. One of the five receipts tested had no supporting documentation and three out of the five receipts tested had support documentation for amounts that were less than what was deposited in the Township's bank account. All of the receipts tested did not have enough information included to be able to determine if the citizens were charged the proper rate for whatever trash collection services they were purchasing. As a result of the above errors, we issued a qualified opinion over the Township's Charges for Services receipts.

Additionally, during 2018, the Board of Trustees reviewed and approved a \$1,133 payment to an employee to correct under-payments in the prior pay periods, which includes overtime and regular hours. The support for this calculation was not properly maintained within the Township's payroll records. However, based upon the payroll records obtained during the audit a payment of \$276 could be supported. The remaining \$857 could not be properly tested due to lack of documentation maintained by the Township.

Without proper support over the collection of charges for service receipts and distribution of payroll expenditures, the Township cannot properly safeguard against the risk of theft, fraud or errors.

We recommend that the Township maintain supporting documentation for all receipt and disbursement transactions so that the Township can properly provide such information for public inquiry as well as the accuracy of Township Trustee oversight and financial statement presentation.

**Officials' Response:** Baughman Township is aware of the need for supporting documentation for charges for services receipts. Baughman is researching possible solutions to this issue as well as the payroll related distribution, which did not follow their normal payroll process.

**BAUGHMAN TOWNSHIP  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 & 2017  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2018-003**

**Material Weakness – Charges for Services Internal Controls**

Designing and implementing internal controls is an important responsibility of management. When designing the public office's system of internal control and the specific control activities, management should consider the policies and procedures that will ensure that proper supporting documentation is maintained as well as control procedures to ensure that the Township can detect and timely correct, any misstatements related to the charges for services receipts.

During our testing of charges for services for the year ended December 31, 2018, we noted no policies or procedures that ensured proper collection of charges for service related to the trash collection point operated by the Township. The citizens paying for the service were not offered a duplicate receipt, which would support the related fee being collected due to the items that were dropped off at the trash collection point. The Township had a manual listing that listed some of the amounts collected. However, it lacked information that would have made it possible to track the receipts to an individual or determine that the correct Township approved rate was charged. As mentioned in the finding 2018-002, the total amounts included on the manual listing of receipts maintained was less than what was deposited in three of the five charges for services deposits tested in 2018.

Lack of appropriate internal control procedures could result in fraud and/or unaccounted monies.

We recommend the Township establish internal control procedures over the trash collections receipt process. These procedures should include issuing a duplicate receipt to all customers. Each individual duplicate receipt issued should include the quantity of items dropped off and the Township approved rate charged per category and the total amount collected. This duplicate receipt book should be reconciled with the total amount collected for the day and subsequently deposited.

**Officials' Response:** Baughman Township understands the importance of internal controls and will be researching steps for improvement.

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# OHIO AUDITOR OF STATE KEITH FABER



**BAUGHMAN TOWNSHIP**

**WAYNE 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  
JULY 11, 2019**