



Dave Yost • Auditor of State



# OHIO AUDITOR OF STATE **KEITH FABER**



February 7, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

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JENNINGS TOWNSHIP  
VAN WERT COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Jennings Township  
Van Wert County  
21332 Gilbert Road  
Spencerville, Ohio 45887

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 Jennings Township, Van Wert County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

### ***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, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

***Basis for Additional Adverse Opinion on Regulatory Basis of Accounting***

During prior audit years of 2007 and 2006, the Township charged Trustees' salaries, related taxes and retirement (OPERS) to the Gasoline Tax, Road and Bridge, and Motor Vehicle License Tax funds without required supportive documentation, which is a violation against Ohio Revised Code Section 505.24(D) and Ohio Attorney General Opinion 2004-036 and did not make those adjustments to the financial statements nor to their accounting records. The General fund balance was overstated by \$31,756 and therefore the Special Revenue fund balances were understated by \$31,756.

***Additional Adverse Opinion on Regulatory Basis of Accounting***

In our opinion, because of the significance of the matter discussed in the *Basis for Additional Adverse Opinion on Regulatory Basis of Accounting*, the financial statements referred to above do not present fairly, in all material respects, the cash balances, receipts and disbursements of the General and Special Revenue funds of Jennings Township, Van Wert County, as of December 31, 2017 and 2016 and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursement of the Capital Projects and Private Purpose Trust funds, and related notes of Jennings Township, Van Wert County, as of December 31, 2017 and 2016, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 12, 2018

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**Jennings Township**  
*Van Wert 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	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$32,432	\$57,364		\$89,796
Licenses, Permits and Fees		1,100		1,100
Intergovernmental	23,107	102,056	\$2,933	128,096
Earnings on Investments	19	9	3	31
Miscellaneous	519	2,050	14,266	16,835
<i>Total Cash Receipts</i>	<u>56,077</u>	<u>162,579</u>	<u>17,202</u>	<u>235,858</u>
<b>Cash Disbursements</b>				
Current:				
General Government	26,135	4,183		30,318
Public Safety		18,300		18,300
Public Works		108,712		108,712
Health	15,270	1,001		16,271
<i>Total Cash Disbursements</i>	<u>41,405</u>	<u>132,196</u>		<u>173,601</u>
<i>Excess of Receipts Over Disbursements</i>	14,672	30,383	17,202	62,257
<i>Fund Cash Balances, January 1</i>	<u>39,761</u>	<u>170,916</u>	<u>21,895</u>	<u>232,572</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		161,409	39,097	200,506
Committed		39,890		39,890
Assigned	54,117			54,117
Unassigned (Deficit)	316			316
<i>Fund Cash Balances, December 31</i>	<u>\$54,433</u>	<u>\$201,299</u>	<u>\$39,097</u>	<u>\$294,829</u>

*See accompanying notes to the basic financial statements.*

**Jennings Township**  
*Van Wert County, Ohio*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*Private Purpose Trust Fund*  
*For the Year Ended December 31, 2017*

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	Private Purpose Trust
<b>Operating Cash Receipts</b>	
Earnings on Investments	\$7
<i>Total Operating Cash Receipts</i>	7
<i>Fund Cash Balances, January 1</i>	849
<i>Fund Cash Balances, December 31</i>	\$856

*See accompanying notes to the basic financial statements.*

**Jennings Township  
Van Wert County**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2017**

**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 Jennings Township, Van Wert County (the ‘Township’) as a body of corporate and politic. A publicly-elected three member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Middle Point and Spencerville Invincible Fire Department to provide fire services and Spencerville Ambulance Service and the Village of Middle Point to provide ambulance services.

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. Deposit and Investments**

The Township maintains all of its funds in an interest bearing checking account and U.S. Savings Bonds.

**D. Fund Accounting**

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.

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:

**Jennings Township  
Van Wert County**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2017**

**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:

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

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

**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 Capital Projects Fund.

**TIF Agreements:** The Township receives Tax Increment Financing monies from Wayne and Lisa Smith, Jeff and Alan Ricker (swine and turkeys), and KLR Farms. This money is used for the construction and repair of roads.

**4. Fiduciary Funds**

Fiduciary Funds include private purpose trust funds and agency 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.

The Township has private purpose trust funds for the benefit of Morgan and Lewis Trust and Endowment. These are nonexpendable trusts that maintain amounts donated in perpetuity.

**Jennings Township  
Van Wert County**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2017**

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (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 cancelled and re-appropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 7.

**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. Non-spendable**

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

**Jennings Township  
Van Wert County**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2017**

**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 the commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligation 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. Capital Assets**

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



**Jennings Township  
Van Wert County**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2017**

**2. 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 was as follows:

	<u>2017</u>
Demand Deposits	\$295,185
Savings Bond	500
	<u>\$295,685</u>

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 U.S. Savings Bond in book-entry form in the name of the Township.

**3. 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 rate 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.

**4. DEFINED BENEFIT PENSION PLANS**

All employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plans. 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. For 2017, OPERS members contributed 10% of their gross salaries and the Township contributed and amount equaling 14% of participant’s gross salaries. The Township has paid all contributions required through December 31, 2017.

**Jennings Township  
Van Wert County**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2017**

**5. POSTEMPLOYMENT BENEFITS**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017.

**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

**7. BUDGETARY ACTIVITY**

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,620	\$56,077	\$9,457
Special Revenue	157,115	162,579	5,464
Capital Projects	28,482	17,202	(11,280)
Fiduciary	2	7	5
Total	\$232,219	\$235,865	\$3,646

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$73,365	\$41,405	\$31,960
Special Revenue	255,939	132,196	123,743
Capital Projects	49,200		49,200
Fiduciary	188		188
Total	\$378,692	\$173,601	\$205,091

**Jennings Township  
Van Wert County**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2017**

**8. SUBSEQUENT EVENTS**

In 2018, the Township approved for a loan with the Ohio Public Works Commission for a maximum of \$120,000. This loan is for the purpose of reconstructing Ohio City – Venedocia Road and is a 20-year, zero interest loan.

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**Jennings Township**  
*Van Wert 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, 2016*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$32,006	\$56,784		\$88,790
Licenses, Permits and Fees		1,650		1,650
Intergovernmental	23,088	100,349	\$552	123,989
Earnings on Investments	15	6	2	23
Miscellaneous	666	431	4,972	6,069
<i>Total Cash Receipts</i>	<u>55,775</u>	<u>159,220</u>	<u>5,526</u>	<u>220,521</u>
<b>Cash Disbursements</b>				
Current:				
General Government	28,220	3,651	2	31,873
Public Safety		15,000		15,000
Public Works	2,400	119,898		122,298
Health	13,789	2,636		16,425
Capital Outlay		2,075		2,075
<i>Total Cash Disbursements</i>	<u>44,409</u>	<u>143,260</u>	<u>2</u>	<u>187,671</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>11,366</u>	<u>15,960</u>	<u>5,524</u>	<u>32,850</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		2,000		2,000
Transfers Out	(2,000)			(2,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,000)</u>	<u>2,000</u>		
<i>Net Change in Fund Cash Balances</i>	9,366	17,960	5,524	32,850
<i>Fund Cash Balances, January 1</i>	<u>30,395</u>	<u>152,956</u>	<u>16,371</u>	<u>199,722</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		129,238	21,895	151,133
Committed		41,678		41,678
Assigned	29,745			29,745
Unassigned (Deficit)	10,016			10,016
<i>Fund Cash Balances, December 31</i>	<u>\$39,761</u>	<u>\$170,916</u>	<u>\$21,895</u>	<u>\$232,572</u>

*See accompanying notes to the basic financial statements.*

**Jennings Township**  
*Van Wert County, Ohio*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*Private Purpose Trust Fund*  
*For the Year Ended December 31, 2016*

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	Private Purpose Trust
<b>Operating Cash Receipts</b>	
Earnings on Investments	\$8
<i>Total Operating Cash Receipts</i>	8
<i>Net Change in Fund Cash Balances</i>	8
<i>Fund Cash Balances, January 1</i>	841
<i>Fund Cash Balances, December 31</i>	\$849

*See accompanying notes to the basic financial statements.*

**Jennings Township  
Van Wert County**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2016**

**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 Jennings Township, Van Wert County (the ‘Township’) as a body of corporate and politic. A publicly-elected three member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Middle Point and Spencerville Invincible Fire Department to provide fire services and Spencerville Ambulance Service and the Village of Middle Point to provide ambulance services.

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. Deposit and Investments**

The Township maintains all of its funds in an interest bearing checking account and U.S. Savings Bonds.

**D. Fund Accounting**

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.

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:

**Jennings Township  
Van Wert County**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2016**

**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:

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

**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 Capital Projects Fund.

**TIF Agreements:** The Township receives Tax Increment Financing monies from Wayne and Lisa Smith, Jeff and Alan Ricker (swine and turkeys), and KLR Farms. This money is used for the construction and repair of roads.

**4. Fiduciary Funds**

Fiduciary Funds include private purpose trust funds and agency 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.

The Township has private purpose trust funds for the benefit of Morgan and Lewis Trust and Endowment. These are nonexpendable trusts that maintain amounts donated in perpetuity.

**E. Budgetary Process**

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



**Jennings Township  
Van Wert County**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2016**

**1. Appropriations**

Budgetary expenditures (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 cancelled and re-appropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 7.

**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. Non-spendable**

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.

**Jennings Township  
Van Wert County**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2016**

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to the commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligation 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. Capital Assets**

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

**Jennings Township  
Van Wert County**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2016**

**2. DEPOSITS AND INVESTMENTS**

The Township maintains a deposit and investments pool all funds use.

	<u>2016</u>
Demand Deposits	\$232,921
Savings Bond	500
	<u>\$233,421</u>

Deposits – Deposits are insured by the Federal Depository Insurance Corporation.

Investments –The Federal Reserve holds the Township U.S. Savings Bond in book-entry form in the name of the Township.

**3. 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 rate 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.

**4. DEFINED BENEFIT PENSION PLANS**

All employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plans. 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. For 2016, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participant’s gross salaries. The Township has paid all contributions required through December 31, 2016.

**Jennings Township  
Van Wert County**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2016**

**5. POSTEMPLOYMENT BENEFITS**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2 percent during calendar year 2016.

**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

**7. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,900	\$55,775	\$11,875
Special Revenue	159,625	161,220	1,595
Capital Projects	7,746	5,526	(2,220)
Fiduciary	3	8	5
Total	\$211,274	\$222,529	\$11,255

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$65,123	\$46,409	\$18,714
Special Revenue	243,624	143,260	100,364
Capital Projects	24,050	2	24,048
Total	\$332,797	\$189,671	\$143,126



# Dave Yost • Auditor of State

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

Jennings Township  
Van Wert County  
21332 Gilbert Road  
Spencerville, Ohio 45887

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 Jennings Township, Van Wert County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated December 12, 2018 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 issued an adverse opinion due to the Township failing to post prior audit adjustments to the financial statements.

### ***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 2017-001 and 2017-002 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 2017-001.

***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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 12, 2018

**JENNINGS TOWNSHIP  
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

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

**FINDING NUMBER 2017-001**

**Allocation of Township Trustees Salary – Noncompliance / Material Weakness / Finding for Adjustment**

**Ohio Revised Code Section 505.24(D)** sets forth the method by which township trustee compensation is allocated. This section is described in Ohio Attorney General (OAG) Opinion 2004-036. This Section requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustee's document all time spent on township business and the type of service(s) performed, in a manner similar to trustee's paid salary compensation. If trustees do not document their time, then salaries shall not be paid from other funds. These requirements were noted in a prior audit report for Jennings Township for the years ended December 31, 2007 and 2006.

During a prior audit of years 2007 and 2006, the Township charged Trustees' salaries, related taxes and retirement (OPERS) to the Gasoline Tax Fund in the amount of \$10,156, Road and Bridge Fund in the amount of \$10,060, and Motor Vehicle License Tax Fund in the amount of \$11,540 without required supportive documentation, and did not make these adjustments to its financial statements nor the Uniform Accounting Network (UAN) system. In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund for \$31,756 and in favor of the Motor Vehicle License Tax Fund for \$11,540, Gasoline Tax Fund for \$10,156, and Road and Bridge Fund for \$10,060.

The Township failed to record the December 31, 2007 adjustments required to properly reflect these salaries, related taxes and OPERS amounts to the December 31, 2015 ending balances (January 1, 2016 beginning balance). The January 1, 2016 balances should have been adjusted and presented as follows:

Fund	December 31, 2015 Ending Balance	Adjustments	January 1, 2016 Beginning Balance
General Fund	\$ 30,399	\$ (31,756)	\$ (1,357)
Motor Vehicle License Tax Fund	10,906	11,540	22,446
Gas Tax Fund	34,821	10,156	44,977
Road and Bridge Fund	32,855	10,060	42,915
<b>Totals</b>	<b>\$ 108,981</b>	<b>-</b>	<b>\$ 108,981</b>

If the Township had recorded the above adjustments, the effect on the December 31, 2017 and 2016 financial statements would be to decrease the General Fund balance and increase the balance of the Motor Vehicle License Tax, Gas Tax, and Road and Bridge funds by the adjustment amounts above.

**Officials' Response:**

This original finding from 2007 and 2006 audit years was based upon OAG Opinion 2004-036 establishing administrative procedures for paying Trustees Salaries out of Restricted Funds. The OAG opinion 2004-036 based on Ohio Revised Code Section 505.24(C) assumes that the Trustees perform primarily administrative functions and do not perform any work related to road maintenance.

**FINDING NUMBER 2017-001  
(Continued)**

Jennings Township is a rural Township and currently maintains 34.24 miles of roads within the township. While it is sometimes necessary to hire part time labor and contract chip and seal, the primary responsibility of road maintenance relies upon the shoulders of the Trustees. The Trustees not only are responsible for repairing the roads, but also inspect the roads for maintenance issues, put out high water signs, regulate water drainage issues, remove debris/animals, plow snow, mow road ditches and maintain all equipment and supplies. The Trustees administrative duties are negotiating fire and EMS contracts, Cemetery issues, and attending monthly meetings which makes up less than 10 percent of the Jennings Township Trustees other responsibilities.

The Audit of 2006 and 2007 found that Jennings Township was not in compliance of Ohio Revised Code Section 505.24 (C) and OAG Opinion 2004-036 with the record keeping procedures established therein. Jennings Township was then ordered to take 100% of Trustees Salaries from the General Fund. Since the audit, proper record keeping procedures were established and Jennings Township has complied with the record keeping requirements since that time.

In review of the Trustees timesheet, on an average 10% of the trustees timesheets can be attributed to administrative functions and are paid from the General Fund as required by Ohio Revised Code Section 505.24(C). Jennings Township would like to be in compliance of the 2006-2007 audit findings, but in doing the recommendation it would create a negative balance in the General Fund.

If the findings were reviewed, using the history of Trustee Salary Documentation from 2008-2017, it would be determined that 10% of the Trustees time is spent on Administrative Functions. Jennings Township respectfully requests that an Amendment be made of the original adjustment to the General Fund recommending in 2007 Audit.

If the current finding were revised, Jennings Township would be willing and able to comply with an adjustment of 10% of each Trustees Salary taken from the General Fund. Total Salary Adjustment \$31,756 times 10%, adjustment to General Fund of \$3,175.60.

**FINDING NUMBER 2017-002**

**Material Weakness**

**Accuracy of Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of its 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 Township posted all transactions to the cash journal and revenue ledger; however, not all transactions were posted to the correct accounts and/or funds. The Uniform Accounting Network (UAN) chart of accounts is available to use for posting revenue activity and fund balances outlined in the Ohio Township Handbook. The following items were not posted in accordance with the chart of accounts during 2017 and 2016:

- Real Property and Manufactured Homes rollback receipts were classified as Tax Revenue instead of Intergovernmental Revenue in the General fund. In 2017, Intergovernmental Revenue was increased by \$4,296 in the General Fund and Tax Revenue was decreased by the same. In 2016, Intergovernmental Revenue was increased by \$4,278 in the General Fund and Tax Revenue was decreased by the same.



**FINDING NUMBER 2017-002  
(Continued)**

- Tax Incremental Financing (TIF) rollback receipts were classified as Miscellaneous Revenue instead of Intergovernmental Revenue in the TIF Agreement Capital Project funds. In 2017, Intergovernmental Revenue was increased by \$2,933 in the Capital Project funds and Miscellaneous Revenue was decreased by the same. In 2016, Intergovernmental Revenue was increased by \$552 in the Capital Project funds and Miscellaneous Revenue was decreased by the same.
- In 2016, Interest Revenue was improperly recorded in the General fund rather than in the Morgan Endowment fund (Private Purpose Trust). This resulted in an increase of \$4 to Earnings on Investments in the Morgan Endowment fund and a decrease of \$4 to Earnings on Investments in the General fund.

Governmental Accounting Standards Board (GASB) Statement No. 54 paragraph 16 (GASB Codification 1800.176) - Fund Balance Reporting and Governmental Fund Type Definitions states an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. The following error was noted as a result of the Township not properly implementing GASB Statement No 54:

- In 2017 and 2016, the Township did not properly classify their fund balance in the General fund in accordance with GASB 54 guidance. The subsequent year appropriations, for both years, exceeded estimated receipts and therefore, the difference should have been classified as assigned. As a result, the fund balance was reclassified by \$54,117 in 2017 and \$29,745 in 2016 from Unassigned Fund Balance to Assigned Fund Balance in the General Fund.

The accompanying financial statements and the Township's records have been adjusted accordingly. In addition to the adjustments listed above, we also identified additional misstatements of \$2,577 to \$3,790 for 2017 and \$2,572 to \$3,782 for 2016 that we have brought to the Township's attention.

The failure to correctly classify financial activity in the UAN system and in the financial statements may impact the users understanding of the financial operations, the Township's ability to make sound financial decisions, the Township's ability to comply with budgetary laws, and may result in material misstatement to the financial statements.

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted correctly. The fiscal officer should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted in accordance with the Township's chart of accounts. The Township should review the Ohio Township Handbook - Appendix IV, Auditor of State Bulletins and other resources available for guidance in an effort to correctly classify financial activity.

**Official's Response:**

I understand that the tax revenues (manufactured homes & rollback) received from the state needs to be classified as intergovernmental. I will check the chart of accounts and post these receipts as such.

**JENNINGS TOWNSHIP  
VAN WERT COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Allocation of Township Trustee Salary	Not Corrected	Repeated as Finding 2017-001
2015-002	Classification of Financial Activity	Not Corrected	Repeated as Finding 2017-002

OHIO AUDITOR OF STATE  
**KEITH FABER**



**JENNINGS TOWNSHIP**

**VAN WERT 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  
FEBRUARY 7, 2019**