



OHIO AUDITOR OF STATE
KEITH FABER



JEFFERSON TOWNSHIP
MONTGOMERY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2021	5
Statement of Additions, Deductions, and Changes in Fund Balance (Regulatory Cash Basis) - Fiduciary Fund Type - For the Year Ended December 31, 2021	6
Notes to the Financial Statements - For the Year Ended December 31, 2021	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Prepared by Management:	
Summary Schedule of Prior Audit Findings.....	19

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INDEPENDENT AUDITOR'S REPORT

Jefferson Township
Montgomery County
580 Calumet Lane
Dayton, Ohio 45417

To the Board of Trustees:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of Jefferson Township, Montgomery County, Ohio (the Township), which comprises the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type as of and for the year ended December 31, 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type as of and for the year ended December 31, 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021, or the changes in financial position thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matters

As discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. Our opinion is not modified with respect to this matter.

As disclosed in Note 14 to the financial statements, the Township restated its beginning balances due to errors from previous years. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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

February 14, 2023

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**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$102,035	\$2,225,407		\$2,327,442
Charges for Services		156,538		156,538
Licenses, Permits and Fees	58,315			58,315
Fines and Forfeitures	3,113			3,113
Intergovernmental	93,982	901,841		995,823
Special Assessments	230,556	92,969		323,525
Miscellaneous	7,280	6,610		13,890
<i>Total Cash Receipts</i>	<u>495,281</u>	<u>3,383,365</u>		<u>3,878,646</u>
Cash Disbursements				
Current:				
General Government	358,223	122,512		480,735
Public Safety		2,138,054		2,138,054
Public Works		409,014		409,014
Health		200		200
Capital Outlay		347,526		347,526
Debt Service:				
Principal Retirement		44,432	\$65,403	109,835
Interest and Fiscal Charges		22,081	11,263	33,344
<i>Total Cash Disbursements</i>	<u>358,223</u>	<u>3,083,819</u>	<u>76,666</u>	<u>3,518,708</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>137,058</u>	<u>299,546</u>	<u>(76,666)</u>	<u>359,938</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds		299,795		299,795
Transfers In			175,000	175,000
Transfers Out		(175,000)		(175,000)
<i>Total Other Financing Receipts (Disbursements)</i>		124,795	175,000	299,795
<i>Net Change in Fund Cash Balances</i>	137,058	424,341	98,334	659,733
<i>Fund Cash Balances, January 1, Restated</i>	<u>254,783</u>	<u>1,618,956</u>	<u>\$199,998</u>	<u>2,073,737</u>
<i>Fund Cash Balances, December 31</i>	<u>\$391,841</u>	<u>\$2,043,297</u>	<u>\$298,332</u>	<u>\$2,733,470</u>

See accompanying notes to the basic financial statements

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY

STATEMENT OF ADDITIONS, DEDUCTIONS,
AND CHANGES IN FUND BALANCE (REGULATORY CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Custodial</u>
Additions	
Deposits Received	<u>\$9,398</u>
<i>Total Additions</i>	<u>9,398</u>
<i>Net Change in Fund Cash Balance</i>	9,398
<i>Fund Cash Balance, January 1</i>	<u>4,681</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$14,079</u></u>

See accompanying notes to the basic financial statements

Jefferson Township
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

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

Public Entity Risk Pool

The Township participates in one public entity risk pool, Ohio Township Association Risk Management Authority (OTARMA), which provides property and casualty coverage for the Township. Note 7 to the financial statements provides additional information.

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

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 statement of additions, deductions, and changes in fund balance (regulatory cash basis) for the fiduciary fund type which are all organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

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

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

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

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

Jefferson Township
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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

American Rescue Plan Fund – This fund is used to account for federal funding monies disbursed to aide with expenditures related to the COVID-19 pandemic.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project funds:

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

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

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

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

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 (C). 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 (C) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over and need not be re-appropriated.

Jefferson Township
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2021

A summary of 2021 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.

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.

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.

Leases

The Township is the lessee in various leases (as defined by GASB 87) related to vehicles and other equipment under noncancelable leases. Lease revenue/disbursements are recognized when they are received/paid.

Fund Balance

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

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

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

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

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

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

Jefferson Township
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire/EMS Capital Improvement Capital Projects Fund by \$76,666 for the year ended December 31, 2021.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$380,196	\$495,281	\$115,085
Special Revenue	2,845,553	3,683,160	837,607
Capital Projects	175,000	175,000	0
Total	\$3,400,749	\$4,353,441	\$952,692

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$573,643	\$362,312	\$211,331
Special Revenue	3,762,051	3,332,496	429,555
Capital Projects	0	76,666	(76,666)
Total	\$4,335,694	\$3,771,474	\$564,220

Note 5 – Deposits and Investments

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

	2021
Cash Management Pool:	
Demand deposits	\$2,747,549
<i>Total carrying amount of deposits held in the Pool</i>	<i>\$2,747,549</i>

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

Jefferson Township
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Property Taxes

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

Public utilities are also taxed on personal and real property located within the Township.

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

Note 7 – Risk Management

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

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

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2021:

	<u>2021</u>
Cash and investments	\$34,880,599
Actuarial liabilities	\$10,601,444

Jefferson Township
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS-Local members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. OPERS-Public Safety members contributed 12% of their gross salaries and the Township contributed an amount equaling 18.1% of participants' gross salaries. The Township has paid all contributions required through December 31, 2021.

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 24% of the employees' wages. The Township has paid all contributions required through December 31, 2021.

Social Security

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

Employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2% of participants' gross salaries. The Township has paid all contributions required through December 31, 2021.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

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

Note 10 – Debt

Debt outstanding at December 31, 2021, was as follows:

Jefferson Township
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2021

	Principal	Interest Rate
Township Building Bonds	\$258,508	4.625%
Fire Station Bonds	172,000	4.625%
Ford Interceptor/Two Remounted		
Ambulances Lease	283,422	3.2%
Radio Lease	14,998	3.85%
2020 Rosenbauer Pumper Truck Lease	299,795	2.874%
Total	\$1,028,723	

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

During 2020, the Township entered into a lease agreement to finance the purchase of a Ford Interceptor and the remounting of two ambulances, all to be used by the Fire Department. The amount financed for the lease was \$348,825 and is scheduled to be repaid in 2025.

During 2021, the Township entered into a lease-purchase agreement to purchase a Rosenbauer Pumper Truck for the Fire Department. The amount financed is \$299,725 and is scheduled to be repaid in 2031.

During 2015, the Township entered into a lease agreement to finance the purchase of radios to be used by the Fire Department. The amount financed for the lease was \$93,826 and is scheduled to be repaid in 2022.

Amortization

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

Year Ending December 31:	Township Building Bonds	Fire Station Bonds	Ford Interceptor / Two Remounted Ambulances Lease	Radio Lease	2020 Rosenbauer Pumper Engine
2022	\$30,724	\$19,816	\$76,666	\$15,585	\$34,928
2023	29,845	20,261	76,666		34,928
2024	29,971	20,655	76,666		34,928
2025	29,995	19,989	76,665		34,928
2026	30,024	19,341			34,928
2027-2031	151,485	100,733			174,638
2032	30,020	20,696			
Total	\$332,064	\$221,491	\$306,663	\$15,585	\$349,278

Note 11 – Contingent Liabilities

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

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

Jefferson Township
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 12 – Fund Balances

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

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$4,091	\$73,676	\$77,767
Total	\$4,091	\$73,676	\$77,767

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

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. During 2021, the Township received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 14 – Restatement of Fund Balance

For 2021, the Township reclaimed stale-dated checks totaling \$262 in the General Fund and \$3,424 in the Special Revenue Funds. The corrections had the following effect on the financial statements in 2021:

	General	Special Revenue	Capital Projects	Total
Fund Cash Balances, December 31, 2020	\$254,521	\$1,615,532	\$199,998	\$2,070,051
Restatement	262	3,424		3,686
Restated Fund Cash Balances, January 1, 2021	<u>\$254,783</u>	<u>\$1,618,956</u>	<u>\$199,998</u>	<u>\$2,073,737</u>

OHIO AUDITOR OF STATE KEITH FABER



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

Jefferson Township
Montgomery County
580 Calumet Lane
Dayton, Ohio 45417

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type and the fiduciary fund type as of and for the year ended December 31, 2021 and the related notes to the financial statements of Jefferson Township, Montgomery County, (the Township) and have issued our report thereon dated February 14, 2023, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit, the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Township, and the Township restated its beginning balances.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

February 14, 2023

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2021

1. FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2021-001

Material Weakness – Financial Statement Errors

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.

Due to lack of adequate controls over the preparation of the financial statements, the following errors were noted in the Township's 2021 financial statements that were material and have been adjusted in the accompanying financial statements and the Township's accounting system:

- The Township failed to properly record the initial lease-purchase agreement for a fire department pumper truck. As a result, the Fire/EMS Special Revenue Fund capital outlay disbursements and other debt proceeds were both understated by \$299,795.
- The Township improperly classified principal and interest debt service payments as capital outlay in the Fire/EMS Capital Projects Fund. As a result, capital outlay disbursements were overstated by \$76,666 and principal retirement and interest and fiscal charges debt service disbursements were understated by \$65,403 and \$11,263 respectively.
- The Township improperly classified principal and interest debt service payments as public safety in the Fire/EMS Special Revenue Fund. As a result, public safety disbursements were overstated by \$15,585 and principal retirement and interest and fiscal charges debt service disbursements were understated by \$14,432 and \$1,153 respectively.
- The Township improperly posted a receipt deposited with the Township for a citizen's home fire damage claim in a private purpose trust fund as opposed to the custodial fund. As a result, deposits received were understated in the Custodial Fund by \$1,398, and other amounts collected for distribution were overstated in the Private Purpose Trust Fund by the same amount.
- The Township improperly classified a receipt deposited with the Township for a citizen's home fire damage claim as other amounts collected for distribution as opposed to deposits received in the Custodial Fund. As a result, deposits received was understated by \$8,000, and other amounts collected for distribution was overstated by the same amount.
- The Township improperly classified a miscellaneous receipt for an insurance claim in the General Fund as a special item. As a result, miscellaneous receipts were understated by \$877 and special item was overstated by the same amount.
- The Township improperly recorded property tax receipts for the Police Special Revenue Fund to the Fire/EMS Special Revenue Fund. As a result, property and other local taxes receipts were understated by \$56,840 in the Police Special Revenue Fund, and property and other local taxes receipts were overstated by \$56,840 in the Fire/EMS Special Revenue Fund.
- The Township improperly classified homestead and rollback intergovernmental receipts as property tax receipts in the General Fund, and the Road & Bridge, Police and Fire/EMS Special Revenue Funds. Therefore, intergovernmental receipts were understated and as a result, property tax receipts were overstated, by \$9,954, \$24,457, \$60,010, and \$66,383 in the General Fund, and the Road & Bridge, Police and Fire/EMS Special Revenue Funds, respectively.

The Township should establish and implement procedures to verify the completeness and accuracy of the Township's financial statements. Someone independent of the financial statement preparation process should review them for completeness and accuracy. Failure to do so could result in the users of financial statements using materially incorrect amounts to base their opinion about Township's finances.

Official's Response:

We did not receive a response from Officials to this finding.

2. OTHER – FINDING FOR RECOVERY
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In addition, we identified the following other issue related to a Finding for Recovery. This issue did not impact our GAGAS Compliance and Controls report.

FINDING NUMBER 2021-002

Finding for Recovery

State ex rel. McClure v. Hageman 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditures of Public Funds/Proper “Public Purpose”** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; *Cordray v. Internatl. Preparatory School*, 128 Ohio St.3d 50 (2010).

The Township's former administrative assistant, Adrienne Jones, resigned effective April 16, 2021 as approved by the Township Board of Trustees. Ms. Jones was paid on a biweekly basis and should have only been compensated through her approved resignation date. However, Ms. Jones was paid through May 27, 2021 in the gross pay amount of \$2,061 which could not be substantiated, while she was no longer working for the Township in any capacity.

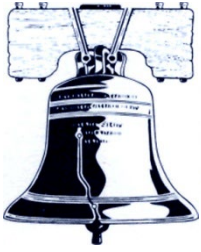
Accordingly, a Finding for Recovery is hereby issued against former administrative assistant Adrienne Jones in the amount of \$2,061 and in favor of the Township's General Fund for \$618, the Road and Bridge Special Revenue Fund for \$618, the Fire Special Revenue Fund for \$618, and the Lighting Special Revenue Fund for \$207.

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

Former Township Administrator Steve Woolf was responsible for ensuring Ms. Jones was removed from payroll upon her resignation, and Trustee Mike McLaughlin and former Trustees James McGuire and Roy Mann Sr. approved the payroll which included the payments after resignation issued to Ms. Jones. Accordingly, a Finding for Recovery is hereby jointly and severally issued against former Administrator Steve Woolf, Trustee Mike McLaughlin, and former Trustee Roy Mann Sr. in the amount of \$2,061 and in favor of the Township's General Fund for \$618, the Road and Bridge Special Revenue Fund for \$618, the Fire Special Revenue Fund for \$618, and the Lighting Special Revenue Fund for \$207, and against former Trustee James McGuire in the amount of \$354, and in favor of the Township's General Fund for \$106, the Road and Bridge Special Revenue Fund for \$106, the Fire Special Revenue Fund for \$106, and the Lighting Special Revenue Fund for \$36. The Trustees' bonding company, Ohio Township Association Risk Management Authority, is jointly and severally liable for the total amount of \$2,061 to the extent that recovery or restitution is not obtained from Ms. Jones.

Official's Response:

We did not receive a response from Officials to this finding.



JEFFERSON TOWNSHIP

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	Employee severance overpayment – Finding for Recovery	Fully Corrected	Township received full repayment
2020-002	Ohio Rev. Code § 121.22(C) Minutes Deficiencies	Partially Corrected	Repeated in management letter
2020-003	Material financial statement misstatements	Not Corrected	Repeated as Finding 2021-001
2020-004	Ohio Rev. Code § 505.24(C) Time and Effort Certifications	Not Corrected	Repeated in management letter

OHIO AUDITOR OF STATE KEITH FABER



JEFFERSON TOWNSHIP

MONTGOMERY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/14/2023

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

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