

TROY TOWNSHIP

RICHLAND COUNTY

Regular Audit

For the Years Ended December 31, 2019 and 2018





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Board of Trustees
Troy Township
1851 Graham Road
Lexington, Ohio 44904

We have reviewed the *Independent Auditor's Report* of Troy Township, Richland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Troy Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

October 29, 2020

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Troy Township
Richland County
For the Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Troy Township
Richland County
1851 Graham Road
Lexington, Ohio 44813

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 Troy Township, Richland County, (the Township) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating of the overall presentation of the financial statements.

We believe 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 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 determined, we presume they are material.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2019 and 2018, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

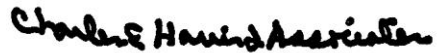
In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Troy Township, Richland County as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 14 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinions regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2020, on our consideration of the Township's internal control over financial reporting and on 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.



Charles E. Harris & Associates, Inc.
August 7, 2020

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Troy Township
Richland County
Combined Statement of Receipts, Disbursements and Changes in
Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property and Other Local Taxes	\$ 126,785	\$ 660,779	\$ 787,564
Charges for Services	-	309,674	309,674
Licenses, Permits and Fees	1,691	-	1,691
Intergovernmental	54,176	199,372	253,548
Earnings on Investments	67,909	410	68,319
Miscellaneous	1,126	33,169	34,295
<i>Total Cash Receipts</i>	<i>251,687</i>	<i>1,203,404</i>	<i>1,455,091</i>
Cash Disbursements			
Current:			
General Government	188,465	11,364	199,829
Public Safety	-	420,667	420,667
Public Works	160,163	250,803	410,966
Health	-	77,079	77,079
Capital Outlay	166,509	62,640	229,149
Debt Service:			
Principal Retirement	-	62,089	62,089
Interest and Fiscal Charges	-	11,653	11,653
<i>Total Cash Disbursements</i>	<i>515,137</i>	<i>896,295</i>	<i>1,411,432</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>(263,450)</i>	<i>307,109</i>	<i>43,659</i>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	-	15,000	15,000
Advances In	-	20,000	20,000
Advances Out	(20,000)	-	(20,000)
Other Financing Sources	1,287	-	1,287
<i>Total Other Financing Receipts (Disbursements)</i>	<i>(18,713)</i>	<i>35,000</i>	<i>16,287</i>
<i>Net Change in Fund Cash Balances</i>	<i>(282,163)</i>	<i>342,109</i>	<i>59,946</i>
<i>Fund Cash Balances, January 1</i>	<i>2,130,309</i>	<i>1,578,143</i>	<i>3,708,452</i>
Fund Cash Balances, December 31			
Restricted	-	1,920,252	1,920,252
Unassigned	1,848,146	-	1,848,146
<i>Fund Cash Balances, December 31</i>	<i>\$ 1,848,146</i>	<i>\$ 1,920,252</i>	<i>\$ 3,768,398</i>

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

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Troy Township, Richland County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, including road and bridge maintenance, fire protection and emergency medical services.

Public Entity Risk Pools

The Township is a member of the Ohio Township Risk Management Authority (OTARMA). Note 6 to the financial statements provides additional information for this entity.

Related Organizations

The Township is associated with the Lexington Union Cemetery (the Cemetery), a related organization. Note 12 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, which is 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 to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Fund:

Fire District Fund The fire district fund accounts for and reports the portion of property and other local taxes, intergovernmental revenues, and proceeds from charges for services to provide the residents of the Township with fire safety services.

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 disbursements when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and re-appropriated in the subsequent year.

A summary of 2019 budgetary activity appears in Note 3.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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.

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Fund Balance

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

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

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by the Trustees or a Township official delegated that authority by resolution, or by State Statute. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the general fund.

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.

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 – Budgetary Activity

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

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 131,900	\$ 252,974	\$ 121,074
Special Revenue	620,610	1,238,404	617,794

2019 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ -	\$ 535,137	\$ (535,137)
Special Revenue	-	896,295	(896,295)

Note 4 – Deposits and Investments

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

	2019
Demand deposits	\$ 1,054,521
Total Deposits	1,054,521
STAR Ohio	531,371
CDARS	2,182,506
Total investments	2,713,877
Total deposits and investments	\$ 3,768,398

Deposits

Deposits are insured by the Federal Depository 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.

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Troy Township
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 – 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 6 - Risk Management

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

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

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

	2018
Cash and investments	\$33,097,416
Actuarial liabilities	7,874,610

Workers’ Compensation

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

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 - Defined Benefit Pension Plan (continued)

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

Social Security

The Trustees of the Township contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

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

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4 percent during calendar year 2019.

Note 9 - Interfund Transactions

The Road and Bridge Fund owed the General Fund \$20,000 at December 31, 2019.

Note 10 – Debt

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

	<u>Principal</u>	<u>Interest Rate</u>
Fire Equipment Bonds, Series 2016	\$ 270,835	3.5%

The Township issued general obligation bonds to finance the purchase of fire equipment for the Township Fire Department. The bonds were issued for a total of \$450,000 on March 28, 2016 at an interest rate of 3.5 percent. The Township repays the bonds out of the Fire District Fund. The bonds will mature on April 25, 2023.

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 10 – Debt (continued)

Amortization

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

Year Ending December 31:	Fire Equipment Bonds, Series 2016
2020	\$ 73,742
2021	73,742
2022	73,742
2023	73,742
Total	<u>\$ 294,968</u>

Note 11 – Contingent Liabilities

The Township may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Township’s financial condition.

Note 12 – Related Organization

The Troy Township Board of Trustees and the Lexington Village Council are responsible for appointing individuals to serve on the Board of Trustees of the Lexington Union Cemetery (the Cemetery). The Cemetery hires and fires its own staff and does not rely on the Township to finance deficits. The Township is not financially accountable for the Cemetery; however, the Cemetery is financially dependent on the Township and Village. The Township collects and remits taxes to the Cemetery, which are then used to meet the operating costs of the Cemetery.

Note 13 – Compliance

Contrary to Ohio Law, the Township did not have legislatively approved appropriations for all funds for the year ended December 31, 2019. In addition, the Township did not properly certify expenditures. For the majority of expenditures tested, purchase orders were created subsequent to the invoice date, and a Then and Now Certificate was not issued.

Note 14 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The Township’s investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property and Other Local Taxes	\$ 124,914	\$ 663,469	\$ 788,383
Charges for Services	-	286,680	286,680
Licenses, Permits and Fees	1,619	-	1,619
Intergovernmental	42,995	179,800	222,795
Earnings on Investments	46,083	490	46,573
Miscellaneous	5,669	23,452	29,121
<i>Total Cash Receipts</i>	221,280	1,153,891	1,375,171
Cash Disbursements			
Current:			
General Government	190,185	11,697	201,882
Public Safety	-	423,108	423,108
Public Works	-	353,700	353,700
Health	-	89,909	89,909
Capital Outlay	50,114	44,203	94,317
Debt Service:			
Principal Retirement	-	59,990	59,990
Interest and Fiscal Charges	-	13,752	13,752
<i>Total Cash Disbursements</i>	240,299	996,359	1,236,658
<i>Net Change in Fund Cash Balances</i>	(19,019)	157,532	138,513
<i>Fund Cash Balances, January 1</i>	2,149,328	1,420,611	3,569,939
Fund Cash Balances, December 31			
Restricted	-	1,578,143	1,578,143
Unassigned	2,130,309	-	2,130,309
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,130,309</u>	<u>\$ 1,578,143</u>	<u>\$ 3,708,452</u>

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

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Troy Township, Richland County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, including road and bridge maintenance, fire protection and emergency medical services.

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Related Organizations

The Township is associated with the Lexington Union Cemetery (the Cemetery), a related organization. Note 11 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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Fund Accounting

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Fire District Fund The fire district fund accounts for and reports the portion of property and other local taxes, intergovernmental revenues, and proceeds from charges for services to provide the residents of the Township with fire safety services.

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting

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

Budgetary Process

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

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and re-appropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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.

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Fund Balance

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

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

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by the Trustees or a Township official delegated that authority by resolution, or by State Statute. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the general fund.

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.

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Budgetary Activity

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

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 213,360	\$ 221,280	\$ 7,920
Special Revenue	931,985	1,153,891	221,906

2018 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ -	\$ 240,299	\$ (240,299)
Special Revenue	-	996,359	(996,359)

Note 4 – Deposits and Investments

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

	2018
Demand deposits	\$ 1,058,554
Total Deposits	1,058,554
STAR Ohio	519,202
CDARS	2,130,696
Total investments	2,649,898
Total deposits and investments	\$ 3,708,452

Deposits

Deposits are insured by the Federal Depository 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.

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – 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 6 - Risk Management

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

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

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

	2018
Cash and investments	\$33,097,416
Actuarial liabilities	7,874,610

Workers’ Compensation

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

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Defined Benefit Pension Plan (continued)

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Social Security

The Trustees of the Township contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which 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 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Equipment Bonds, Series 2016	\$ 332,924	3.5%

The Township issued general obligation bonds to finance the purchase of fire equipment for the Township Fire Department. The bonds were issued for a total of \$450,000 on March 28, 2016 at an interest rate of 3.5 percent. The Township intends to repay the bonds out of the Fire District Fund. The bonds will mature on April 25, 2023.

Troy Township
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt (continued)

Amortization

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

Year Ending December 31:	Fire Equipment Bonds, Series 2016
2019	\$ 73,742
2020	73,742
2021	73,742
2022	73,742
2023	73,742
Total	<u>\$ 368,710</u>

Note 10 – Contingent Liabilities

The Township may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Township’s financial condition.

Note 11 – Related Organization

The Troy Township Board of Trustees and the Lexington Village Council are responsible for appointing individuals to serve on the Board of Trustees of the Lexington Union Cemetery (the Cemetery). The Cemetery hires and fires its own staff and does not rely on the Township to finance deficits. The Township is not financially accountable for the Cemetery; however, the Cemetery is financially dependent on the Township and Village. The Township collects and remits taxes to the Cemetery, which are then used to meet the operating costs of the Cemetery.

Note 12 – Compliance

Contrary to Ohio Law, the Township did not have legislatively approved appropriations for all funds for the year ended December 31, 2018. In addition, the Township did not properly certify expenditures. For the majority of expenditures tested, purchase orders were created subsequent to the invoice date, and a Then and Now Certificate was not issued.

Note 13 – Prior Period Adjustment

The Township voided a check for \$718 during the audit period. This resulted in the Special Revenue Funds beginning balance increasing from \$1,419,893 to \$1,420,611.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Troy Township
Richland County
1851 Graham Road
Lexington, Ohio 44904

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and 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 by fund type of Troy Township, Richland County (the Township) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated August 7, 2020, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of 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 determination of financial statement amounts. 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 instances of noncompliance we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2019-002 and 2019-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 7, 2020.

Entity's Responses to Findings

The Township's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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.



Charles E. Harris and Associates, Inc.
August 7, 2020

Troy Township
Richland County
Schedule of Findings
December 31, 2019 and 2018

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS
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Finding Number: 2019-001 – Material Weakness

Audit Adjustments and Reclassifications

During 2019 and 2018, errors were noted in the Township’s financial statements that required audit adjustments and reclassifications, the most significant of which are as follows:

- In 2018 and 2019, payments to retire debt were recorded as Capital Outlay instead of Principal Retirement and Interest and Other Fiscal Charges.
- In 2019, receipts for EMS Services were classified as Special Assessments instead of Charges for Services.
- In 2018 and 2019, rollback receipts were classified as Property Tax revenue instead of Intergovernmental Receipts.

The accompanying financial statements and the Township’s records have been adjusted to properly reflect these transactions.

Sound financial reporting is the responsibility of the Township and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Township adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use Governmental Accounting Standards Board (GASB) Statement Number 54, Auditor of State Bulletin 2011-004, the Uniform Accounting Network manual, the Ohio Township Handbook and other Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements.

Management’s Response:

See Corrective Action Plan.

Finding Number 2019-002 – Noncompliance

Annual Appropriation Resolution

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. In 2019 and 2018, the Township did not pass an annual appropriation resolution. As a result, budgetary expenditures exceeded appropriations for both 2019 and 2018, contrary to Ohio Rev. Code § 5705.41(B).

In order to avoid overspending and potential fund balance deficits, the Township should pass an annual appropriation resolution and file it with the County Auditor. Management of the Township and Board members should be aware of budgetary requirements and collaborate so that the appropriations are properly approved and recorded. This will aid in properly budgeting monies and ensure compliance with the Ohio Revised Code.

Troy Township
Richland County
Schedule of Findings (continued)
December 31, 2019 and 2018

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS (continued)
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Finding Number 2019-002 – Noncompliance (continued)

Management’s Response:

See Corrective Action Plan.

Finding Number 2019-003 – Noncompliance

Certification of Expenditures

Ohio Rev. Code § 5705.41 (D), requires, in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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

1. “Then and Now” Certificate – If the fiscal officer can certify that both at the time the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the “then and now” certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the Township.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Troy Township
Richland County
Schedule of Findings (continued)
December 31, 2019 and 2018

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS (continued)
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Finding Number 2019-003 – Noncompliance (continued)

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predicible operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not properly certify the availability of funds for the majority of the transactions tested in 2019 and 2018. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances.

To improve controls over disbursements and to help reduce the possibility of the Township’s fund exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the availability of funds prior to the commitment for the expenditure of Township money. The Township should consider the use of blanket purchase orders and “then and now” certificates to assist in complying with the above requirement.

Management’s Response:

See Corrective Action Plan.

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Troy Township
Richland County
 Corrective Action Plan (Prepared by Management)
 December 31, 2019 and 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	Fiscal Officer will review guidance to post transactions correctly in the future	Immediately	Dean Strohminger, Fiscal Officer
2019-002	Fiscal Officer will have appropriations approved in the future.	Immediately	Dean Strohminger, Fiscal Officer
2019-003	Fiscal Officer will ensure purchase orders are approved prior to purchasing unless other exceptions can be approved.	Immediately	Dean Strohminger, Fiscal Officer

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OHIO AUDITOR OF STATE KEITH FABER



TROY TOWNSHIP

RICHLAND 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 11/12/2020

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