
ALGER & ASSOCIATES, Inc.



PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES

BAUGHMAN TOWNSHIP

WAYNE COUNTY

A&A
REGULAR AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2020 - 2019

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OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Baughman Township
P.O. Box 1
Marshallville, OH 44645

We have reviewed the *Independent Auditor's Report* of Baughman Township, Wayne County, prepared by Alger & Associates, Inc., for the audit period January 1, 2019 through December 31, 2020. 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. Baughman 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

April 27, 2021

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**BAUGHMAN TOWNSHIP
WAYNE COUNTY**

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Baughman Township, Wayne County, Ohio (the Township) as of and for the years ended December 31, 2020 and December 31, 2019.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Additional Opinion Qualification and Unmodified Opinion* 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, 2020 and December 31, 2019, and the respective changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

Miscellaneous receipts are reported at \$21,150 for the year ended December 31, 2020 and \$46,682 for the year ended December 31, 2019, which are 14.3% and 28.1% respectively, of the General Fund cash receipts. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as miscellaneous receipts. Consequently, we were unable to determine whether any audit adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the General Fund, of Baughman Township, Wayne County, Ohio, as of December 31, 2020 and December 31, 2019, 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.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements of the Special Revenue Funds, and related notes of the Baughman Township, Wayne County, Ohio, as of December 31, 2020 and December 31, 2019, 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 10 to the financial statements, during 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. In addition, as discussed in Note 11 to the financial statements during 2020, the Township adopted the change to their cash basis-reporting model of the fund balance classification presentation. We did not modify our opinion regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2021, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Karen S
Alger, CPA



Digitally signed by Karen S Alger,
CPA
DN: cn=Karen S Alger, CPA,
o=Alger & Associates, Inc, ou,
email=ksalger46@att.net, c=US
Date: 2021.02.03 11:32:50 -05'00'

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio

February 8, 2021

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Baughman Township
Wayne County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$52,783	\$143,109	\$195,892
Licenses, Permits and Fees	180		180
Intergovernmental	48,744	323,981	372,725
Earnings on Investments	25,144	37	25,181
Miscellaneous	21,150	1,000	22,150
<i>Total Cash Receipts</i>	<u>148,001</u>	<u>468,127</u>	<u>616,128</u>
Cash Disbursements			
Current:			
General Government	137,076		137,076
Public Safety	90,146	128,500	218,646
Public Works	42,527	173,630	216,157
Health	16,296		16,296
Capital Outlay		4,055	4,055
<i>Total Cash Disbursements</i>	<u>286,045</u>	<u>306,185</u>	<u>592,230</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(138,044)</u>	<u>161,942</u>	<u>23,898</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	140,757		140,757
Other Financing Uses	(9,594)		(9,594)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>131,163</u>	<u>0</u>	<u>131,163</u>
<i>Net Change in Fund Cash Balances</i>	(6,881)	161,942	155,061
<i>Fund Cash Balances, January 1</i>	<u>932,261</u>	<u>327,084</u>	<u>1,259,345</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$925,380</u></u>	<u><u>\$489,026</u></u>	<u><u>\$1,414,406</u></u>

See accompanying notes to the basic financial statements

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Baughman Township
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Baughman Township, Wayne County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance. The Township contracts with the North Lawrence Voluntary Fire Department and Orrville Fire Department to provide fire and ambulance services.

Public Entity Risk Pools

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) a public entity risk pool. OTARMA is a risk-sharing pool available to Ohio Townships for insurance coverage. Note 6 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 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:

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

Road and Bridge Fund: The fund receives property tax money for constructing, maintain and repairing Township road and bridge.

Coronavirus Relief Fund – This fund receives COVID-19 relief fund money, from Federal Government, to be used for community businesses, individuals and nonprofit businesses that have COVID-19 related expenses.

Baughman Township
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies *(continues)*

Basis of Accounting

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

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

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2020 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. Money Market Mutual Funds are recorded at share values, the mutual funds report. The Township values Certificate of Deposit at cost.

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.

Baughman Township
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

Fund Balance

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

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.

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 10.

Baughman Township
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$122,879	\$288,758	\$165,879
Special Revenue	418,149	468,127	49,978
Total	\$541,028	\$756,885	\$215,857

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$456,107	\$295,639	\$160,468
Special Revenue	441,902	306,185	135,717
Total	\$898,009	\$601,824	\$296,185

Note 4 – Deposits and Investments

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

Demand deposits	2020 \$195,344
Certificates of deposit	1,219,062
Total deposits	\$1,414,406

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. At December 31, 2020, the Township has remitted all employee payroll withholdings. At December 31, 2020, the Township has remitted all employee payroll withholdings.

Deposits

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

Investments

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

Baughman Township
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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.

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

Note 6 – Risk Management

Workers' Compensation

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.

Risk Pool Membership

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:

	<u>2019</u>
Cash and investments	\$35,207,320
Actuarial liabilities	\$ 10,519,942

Baughman Township
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). 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 members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2020.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2020.

Note 8 – Postemployment Benefits

OPERS 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 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020.

Note 9 – Contingent Liabilities

The Township is a plaintiff in one lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not 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.

Note 10 – Fund Balances

The fund balance of special revenue funds is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned. The Township had no outstanding encumbrances at year end.

Baughman Township
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 11 – Change in Accounting Principle

For 2020, the Township has made changes to their cash basis reporting model. These changes include removing the fund balance classifications from the combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) – all governmental fund types.

Note 12 – 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. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The Township's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Township received CARES Act funding. Of the amounts received, \$128,500 was sub-granted to other governments and organization. These amounts are reflected as general government expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$54,987	\$146,191	\$201,178
Licenses, Permits and Fees	330		330
Intergovernmental	39,192	141,693	180,885
Earnings on Investments	25,169	92	25,261
Miscellaneous	46,682		46,682
<i>Total Cash Receipts</i>	<u>166,360</u>	<u>287,976</u>	<u>454,336</u>
Cash Disbursements			
Current:			
General Government	141,923		141,923
Public Safety	88,184		88,184
Public Works	87,957	178,273	266,230
Health	17,016		17,016
<i>Total Cash Disbursements</i>	<u>335,080</u>	<u>178,273</u>	<u>513,353</u>
<i>Excess of Receipts Over Disbursements</i>	<u>(168,720)</u>	<u>109,703</u>	<u>(59,017)</u>
Other Financing Receipts			
Other Financing Uses	(4,850)		(4,850)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(4,850)</u>	<u>-</u>	<u>(4,850)</u>
<i>Net Change in Fund Cash Balances</i>	(173,570)	109,703	(63,867)
<i>Fund Cash Balances, January 1</i>	<u>1,105,831</u>	<u>217,381</u>	<u>1,323,212</u>
Fund Cash Balances, December 31			
Restricted		327,084	327,084
Assigned	576,015		576,015
Unassigned	356,246		356,246
<i>Fund Cash Balances, December 31</i>	<u>\$932,261</u>	<u>\$327,084</u>	<u>\$1,259,345</u>

See accompanying notes to the basic financial statements

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Baughman Township
Wayne 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 Baughman Township, Wayne County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance. The Township contracts with the North Lawrence Voluntary Fire Department and Orrville Fire Department to provide fire and ambulance services.

Public Entity Risk Pools

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) a public entity risk pool. OTARMA is a risk-sharing pool available to Ohio Townships for insurance coverage. Note 6 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, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

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

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:

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

Road and Bridge Fund: The fund receives property tax money for constructing, maintain and repairing Township road and bridge.

Baughman Township
Wayne 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 Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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

Encumbrances: The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 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. Money Market Mutual Funds are recorded at share values, the mutual funds report. The Township values Certificate of Deposit at cost.

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.

Baughman Township
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

Fund Balance

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

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: 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 Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

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.

Note 3 – Budgetary Activity

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

Fund Type	2019 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$120,899	\$166,360	\$45,461
Special Revenue	256,947	287,976	31,029
Total	\$377,846	\$454,336	\$76,490

Baughman Township
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 – Budgetary Activity *(continued)*

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$527,836	\$339,930	\$187,906
Special Revenue	269,035	178,273	90,762
Total	\$796,871	\$518,203	\$278,668

Note 4 – Deposits and Investments

The Township maintains a deposits 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	\$165,195
Certificates of deposit	1,094,150
Total deposits	\$1,259,345

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

Investments

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

Note 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.

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

Baughman Township
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 – Risk Management

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

Risk Pool Membership

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:

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). 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 members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

Baughman Township
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

Social Security

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

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

Note 8 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 9 – Contingent Liabilities

The Township is a plaintiff in one lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not adversely affect the Township's financial condition.

Note 10 – 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. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The Township's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.



ALGER & ASSOCIATES, Inc.

Certified Public Accountants

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

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

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Baughman Township, Wayne County, Ohio (the Township) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements and have issued our report thereon dated February 8, 2021 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. In addition, during 2020 we noted the Township changed their cash basis-reporting model of the fund balance classification presentation as disclosed in Note 11 of the 2020 financial statements and as disclosed in Note 10 of the financial statements in 2019, the United States and the State of Ohio declared a state of emergency in March, 2020 due to the COVID-19 pandemic. The ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. We qualified our opinion as we were unable to obtain appropriate audit evidence supporting the amount recorded as miscellaneous receipts in the General Fund for the years ended December 31, 2020 and 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-001.


Township's Responses to Findings

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

Purpose of this Report

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

**Karen S
Alger, CPA**



Digitally signed by Karen S Alger, CPA
DN: cn=Karen S Alger, CPA, o=Alger &
Associates, Inc, ou,
email=ksalger46@att.net, c=US
Date: 2021.02.08 16:49:10 -05'00'

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio

February 8, 2021

Baughman Township
Wayne County
Schedule of Findings
December 31, 2020 and 2019

Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS

FINDING NUMBER 2020-001

Noncompliance/Material Weakness – Financial Statement Presentation

Ohio Administrative Code §117-2-02(A) states all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

During our testing of trash collection receipts for the year ended December 31, 2020 and 2019, we noted the citizens paying for the service were not offered a duplicate receipt, which would support the related fee being collected due to the items that were dropped off at the trash collection point. The Township had a manual listing that listed some of the amounts collected. However, it lacked information that would have made it possible to track the receipts to an individual or determine that the correct Township approved rate was charged. The total collected, deposited and difference are as follows:

	Amount Collected	Amount Deposited	Difference
2019	\$27,603	\$26,901	\$702
2020	\$13,341	\$12,663	\$678
Total	\$40,944	\$39,564	\$1,380

Lack of appropriate internal control procedures could result in fraud and/or unaccounted monies. Because of the lack of documentation, we qualified the opinion.

Without proper support over the collection of trash receipts, the Township cannot properly safeguard against the risk of theft, fraud or errors. The Township closed the operation in June 2020.

We also noted the following errors in Township’s financial statements resulting in a reclassification:

- During 2019, the Township posted the trash collection in the amount of \$12,831 improperly to Charges for Services revenue account rather than Miscellaneous revenue account. A reclassification was made to the financial statements.
- At year end December 31, 2019, the General Fund reported \$356,246 of the fund balance as “assigned” rather than “unassigned”. A reclassified was made to the financial statements. For 2020, the Auditor of State Regulatory Basis reporting framework authorize changes for the GASB 54 fund balance classifications to no longer be reported on the face of the financial statements rather, it is reported within the footnote disclosure.

Baughman Township
Wayne County
Schedule of Findings
December 31, 2020 and 2019

FINDING NUMBER 2020-001 *(continued)*

Noncompliance/Material Weakness – Financial Statement Presentation *(continued)*

All transactions should be properly coded and classified according to the Township manual chart of accounts to help ensure that financial activity of the Township is accurately recorded and reported.

In addition, the Fiscal Officer should review the subsequent year appropriations and estimated resources to determine if the General Fund appropriations exceed estimated resources. The excess amount should be reported as assigned fund balance within the General Fund's fund balance in accordance with the provisions of GASB 54, paragraph 16 and Implementation Guide Z.54.13.

Officials' Response: Baughman Trustees had a large amount of research that needed to be done on correcting this noncompliance, which took longer than expected. After all research was done. Baughman Township Trustees decided May 7, 2020 regular meeting that shutting all trash operations down on June 27, 2020 was in the best interest for Township.

Baughman Township
Wayne County
Schedule of Prior Audit Findings
December 31, 2020 and 2019

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2018-001	Noncompliance/ Material Weakness: Ohio Admin Code §117-2-02(A) Financial Statement Presentation.	No	Not corrected. Repeated as 2020-001
2018-002	Noncompliance/ Material Weakness: Ohio Rev. Code § 149.351(A) Supporting Documentation.	Yes	Not corrected. Repeated as 2020-002
2018-003	Material Weakness: Charges for Services Internal Control	No	Not corrected. Repeated as 2020-001

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OHIO AUDITOR OF STATE KEITH FABER



BAUGHMAN TOWNSHIP

WAYNE 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 5/11/2021

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