



**DAMASCUS TOWNSHIP
HENRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2020-2019

**DAMASCUS TOWNSHIP
HENRY COUNTY
DECEMBER 31, 2020 AND 2019**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2020	5
Notes to the Financial Statements For the Year Ended December 31, 2020	6
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2019	13
Notes to the Financial Statements For the Year Ended December 31, 2019	14
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Findings.....	23
Summary Schedule of Prior Audit Findings (Prepared by Management).....	27

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INDEPENDENT AUDITOR'S REPORT

Damascus Township
Henry County
4133 County Road P
McClure, Ohio 43534

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of Damascus Township, Henry County, Ohio (the Township).

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 *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, 2020 and 2019, and the respective 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 for each governmental fund type as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Township, 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, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 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.



Keith Faber
Auditor of State
Columbus, Ohio

October 13, 2021

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Damascus Township
Henry 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	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$125,319	\$204,750			\$330,069
Charges for Services		135,598			135,598
Licenses, Permits and Fees	600				600
Intergovernmental	22,129	229,544			251,673
Earnings on Investments	140	28	\$2	\$6	176
Miscellaneous	12,605	8,131			20,736
<i>Total Cash Receipts</i>	<u>160,793</u>	<u>578,051</u>	<u>2</u>	<u>6</u>	<u>738,852</u>
Cash Disbursements					
Current:					
General Government	86,213	49,468			135,681
Public Safety	991	104,357			105,348
Public Works		12,781			12,781
Health		8,586			8,586
Capital Outlay		137,660	58,516	2	196,178
<i>Total Cash Disbursements</i>	<u>87,204</u>	<u>312,852</u>	<u>58,516</u>	<u>2</u>	<u>458,574</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>73,589</u>	<u>265,199</u>	<u>(58,514)</u>	<u>4</u>	<u>280,278</u>
<i>Net Change in Fund Cash Balances</i>	73,589	265,199	(58,514)	4	280,278
<i>Fund Cash Balances, January 1</i>	899,700	645,881	68,466	61,794	1,675,841
<i>Fund Cash Balances, December 31</i>	<u>\$973,289</u>	<u>\$911,080</u>	<u>\$9,952</u>	<u>\$61,798</u>	<u>\$1,956,119</u>

See accompanying notes to the basic financial statements

Damascus Township
Henry 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 Damascus Township, Henry 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, cemetery maintenance, fire protection and emergency medical services.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio Townships. OTARMA provides property and casualty coverage for its members. Note 7 to the financial statements provides additional information for these entities. 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 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.

2.5 Mil Special Levy Fire Protection Fund The 2.5 mil fire levy fund accounts for property tax money restricted for fire protection

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

Capital Fire Equipment Replacement Fund This fund accounts for and reports monies the Township has accumulated for capital outlay to replace Fire and EMS related Equipment.

Damascus Township
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Fund:

Lowery Trust Fund This fund is a permanent endowment trust fund with a nonspendable balance of \$25,000. The remaining amounts are restricted for Cemetery improvements and other charitable causes as the Township sees fit.

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. Unencumbered appropriations lapse at year end.

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

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

A summary of 2020 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Damascus Township
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 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 11.

Note 3 – Compliance

Contrary to Ohio law, the Township failed to adopt a formal appropriations resolution. In addition, the Township did not approve the certificate of resources from County Auditor. As a result expenditures exceeded appropriations.

Note 4 – Budgetary Activity

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

Damascus Township
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$160,793	\$160,793
Special Revenue		578,051	578,051
Capital Projects		2	2
Permanent		6	6
Total		\$738,852	\$738,852

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$87,204	(\$87,204)
Special Revenue		365,645	(365,645)
Capital Projects		58,516	(58,516)
Permanent		2	(2)
Total		\$511,367	(\$511,367)

Note 5 – Deposits

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	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">2020</td> </tr> <tr> <td style="text-align: center; border-bottom: 3px double black;">\$1,956,119</td> </tr> </table>	2020	\$1,956,119
2020			
\$1,956,119			

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 is holding no unremitted employee payroll withholdings.

Deposits

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

Damascus Township
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 – Property Taxes

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

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

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

Note 7 – Risk Management

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

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

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

	<u>2020</u>
Cash and investments	\$36,348,066
Actuarial liabilities	\$10,894,146

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township 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.

Damascus Township
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Social Security

The Township’s volunteer firemen and rescue personnel 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 9 – 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 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. OP&F contributes 0.5 percent to fund these benefits.

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 may impact subsequent periods of the Township. 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.

Note 11 – Fund Balances

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

<u>Fund Balances</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Total</u>
Nonspendable:			
Corpus		\$25,000	\$25,000
Outstanding Encumbrances	\$52,794		52,794
Total	<u>\$52,794</u>	<u>\$25,000</u>	<u>\$77,794</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds are restricted, committed, or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue, capital projects, and permanent funds would including the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Damascus Township
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 12 – 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 13 – Subsequent Event

In 2021, the Township received \$55,623 of American Rescue Plan Funding.

Damascus Township
Henry 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	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$108,488	\$206,580			\$315,068
Charges for Services		83,148			83,148
Licenses, Permits and Fees	300				300
Intergovernmental	21,550	150,446			171,996
Earnings on Investments	130	17	\$1	\$2	150
Miscellaneous	4,416	800			5,216
<i>Total Cash Receipts</i>	<u>134,884</u>	<u>440,991</u>	<u>1</u>	<u>2</u>	<u>575,878</u>
Cash Disbursements					
Current:					
General Government	96,672	60,063		20	156,755
Public Safety		97,243			97,243
Public Works		11,078			11,078
Health		4,335			4,335
Capital Outlay		13,498			13,498
<i>Total Cash Disbursements</i>	<u>96,672</u>	<u>186,217</u>		<u>20</u>	<u>282,909</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>38,212</u>	<u>254,774</u>	<u>1</u>	<u>(18)</u>	<u>292,969</u>
<i>Net Change in Fund Cash Balances</i>	38,212	254,774	1	(18)	292,969
<i>Fund Cash Balances, January 1</i>	<u>861,488</u>	<u>391,107</u>	<u>68,465</u>	<u>61,812</u>	<u>1,382,872</u>
Fund Cash Balances, December 31					
Nonspendable				25,000	25,000
Restricted		645,881	68,466	36,794	751,141
Unassigned	899,700				899,700
<i>Fund Cash Balances, December 31</i>	<u>\$899,700</u>	<u>\$645,881</u>	<u>\$68,466</u>	<u>\$61,794</u>	<u>\$1,675,841</u>

See accompanying notes to the basic financial statements

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Henry County
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For the Year Ended December 31, 2019

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Damascus Township
Henry County
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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

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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 4.

Deposits and Investments

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

Damascus Township
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

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*.

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 – Compliance

Contrary to Ohio law, the Township failed to adopt a formal appropriations resolution. In addition, the Township did not approve the certificate of resources from County Auditor. As a result expenditures exceeded appropriations.

Damascus Township
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Budgetary Activity

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

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$134,884	\$134,884
Special Revenue		440,991	440,991
Capital Projects		1	1
Permanent		2	2
Total		\$575,878	\$575,878

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$96,672	(\$96,672)
Special Revenue		186,217	(186,217)
Permanent		20	(20)
Total		\$282,909	(\$282,909)

Note 5 – Deposits

A summary of the Township’s deposit accounts are as follows:

	2019
<i>Cash Management Pool:</i>	
Demand deposits	\$1,675,841

Deposits

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

Note 6 – Property Taxes

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

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

Damascus Township
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

Note 7 – Risk Management

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Township 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.

Social Security

The Township’s volunteer firemen and rescue personnel 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.

Damascus Township
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – 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 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

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 may impact subsequent periods of the Township. 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.

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NorthwestRegion@ohioauditor.gov

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

Damascus Township
Henry County
4133 County Road P
McClure, Ohio 43534

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 for each governmental fund type as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of Damascus Township, Henry County, Ohio (the Township) and have issued our report thereon dated October 13, 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. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Township.

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 financial statements. 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 2020-002.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

October 13, 2021

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

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

FINDING NUMBER 2020-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The following errors requiring adjustment to the financial statements and/or notes to the financial statements for the years ended December 31, 2020 and 2019:

- In 2020, Homestead and Rollback taxes received were incorrectly recorded as property and other local taxes instead of as intergovernmental revenue. This required the reclassification in the General fund, Road and Bridge fund, Special Levy Fire Protection fund, and Ambulance and EMS fund in the amounts of \$7,892, \$4,296, \$6,589 and \$1,258, respectively.
- In 2019, Homestead and Rollback taxes received were incorrectly recorded as property and other local taxes instead of as intergovernmental revenue. This required the reclassification in the General fund, Road and Bridge fund, Special Levy Fire Protection fund, and Ambulance and EMS fund in the amounts of \$7,293, \$4,266, \$6,206 and \$1,229, respectively.
- In 2019, restricted fund balance was incorrectly classified as assigned in the Ambulance and EMS fund in the amount of \$121,182. In addition \$36,794 of restricted fund balance in the Permanent fund was incorrectly classified as nonspendable.
- In 2019, the notes to the financial statements the Township filed with the Auditor of State were incomplete, the Township filed the report shell from the Auditor of State's website with no updates to the respective notes.

These errors were not identified and corrected prior to the Township preparing its financial statements and notes to the financial statements due to deficiencies in the Township's internal controls over financial statement monitoring. Failing to prepare accurate financial information could lead the Board of Trustees to make misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. In addition to the adjustments noted above, we also identified additional misstatements ranging from \$608 to \$3,518 that were not significant to the financial statements that we have brought to the Township's attention.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures over financial reporting, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Board of Trustees, to help identify and correct errors and omissions.

FINDING NUMBER 2020-002

Noncompliance

Ohio Rev. Code § 5705.36(A)(1) provides, in part, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority.

Ohio Rev. Code § 5705.38(A) requires on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until an amended certificate is received from the county budget commission based upon the actual year end balances. This temporary appropriation measure for meeting the ordinary expenses should be passed not later than April 1.

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

The Fiscal Officer did not certify to the County Auditor the total amount from all sources available for expenditures from each fund or obtain a certificate of estimated resources from the Budget Commission in 2020 or 2019. There was also no evidence that the Township approved an appropriation measure for 2020 and 2019; however, appropriations were recorded by the Fiscal Officer in the accounting system and in the notes to the financial statements.

These errors were due to deficiencies in the budgetary compliance and monitoring control policies and procedures. The accompanying notes were adjusted to reflect budgeted receipts and disbursements as \$0, which agrees to the legally adopted amounts. In addition, expenditures exceeded appropriations in the General, Special Revenue, and Permanent Funds during 2020 and 2019 since annual appropriation measures were not formally approved by the Board of Trustees. Failure to obtain the required amended certificate of estimated resources approving an appropriation measure can lead to improper budgeting and limits the effectiveness of management monitoring.

The Fiscal Officer should, on or about the first day of each fiscal year, certify to the County Auditor the total amount from all sources available for expenditures from each fund and obtain the approved amended certificate of estimated resources. Also, the Board of Trustees should formally approve annual appropriation measures in the minutes at the proper legal level of control and submit them to the County Budget Commission. Any subsequent changes to original appropriation measures should be approved by the Trustees submitted to the County Budget Commission, and documented in the minutes. Additionally, expenditures should be limited to established appropriation limitations.

2. OTHER – FINDINGS FOR RECOVERY

In addition, we identified the following other issue related to Findings for Recovery. This issue did not impact our GAGAS report.

FINDING NUMBER 2020-003

Finding for Recovery Repaid Under Audit

Ohio Rev. Code § 505.24(A)(5), states “in calendar year 2018, each township trustee is entitled to compensation in an amount for each day of service in the business of the township, to be paid from the township treasury as follows: In townships having a budget of more than one million five hundred thousand but not more than three million five hundred thousand dollars, sixty-two dollars and thirty-nine cents per day for not more than two hundred days.” **Ohio Rev. Code § 505.24(B)** provides that in calendar year 2019 and in each calendar year thereafter through calendar year 2028, the compensation determined under division (A) of this section shall be increased by one and three-quarters per cent.

Ohio Rev. Code § 507.09(A)(5) provides that, in Townships having a budget of more than one million five hundred thousand but not more than three million five hundred thousand dollars, the Fiscal Officer salary shall be twenty-one thousand eight hundred thirty-six dollars. **Ohio Rev. Code § 507.09(B)** provides that in calendar year 2019 and in each calendar year thereafter through calendar year 2028, the compensation determined under division (A) of this section shall be increased by one and three-quarters per cent.

1999 Op. Att’y. Gen. No. 99-015 provides, in part, that “for [the] purposes of calculating the authorized compensation of the Township Trustees and the Township Clerk pursuant to **Ohio Rev. Code §§ 505.24** and **507.09**, the term ‘budget’ refers to the total amount of resources available to the Township pursuant to the official certificate of estimated resources or amendments to the certificate.”

Ohio Const., Art. II, Section 20 provides that the general assembly, in cases not provided for in the constitution, shall fix the term of office and the compensation of all officers; but no change therein shall affect the salary of any officer during his existing term, unless the office be abolished.

The Township’s budget was between one million five hundred thousand and three million five hundred thousand dollars from January 1, 2020 through December 31, 2020. The Township had one new Trustee with a term beginning January 1, 2020 and a new Fiscal Officer with a term beginning April 1, 2020. Only the two officials with terms beginning in 2020 were entitled to the 2020 pay rate. However, the Township incorrectly calculated all Trustee salaries based on the 2020 elected officials’ pay rate. In addition, the prior Fiscal Officer incorrectly paid himself at the 2020 rate for the three months that he served as the Fiscal Officer in 2020. He should have been paid the salary in place when he was elected into office in 2018.

Trustees Greg Smith and Victor Johnson each should have received a total salary of \$12,478 in 2020; however, each were paid \$12,918, resulting in an overpayment of \$440 each.

Prior Fiscal Officer Terrance Green should have received a total salary of \$5,459 for his three months of service in 2020; however, he was paid \$5,671, resulting in an overpayment of \$212.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against prior Fiscal Officer, Terrance Green in the amount of \$212; Trustee Greg Smith in the amount of \$440; and Trustee Victor Johnson in the amount of \$440, and in favor of Damascus Township’s General Fund in the amount of \$1,092.

Township officials should obtain the most current elected officials compensation charts to verify officials are properly compensated in accordance with the Ohio Revised Code. Failure to review and properly calculate salary amounts can result in additional overpayments to officials.

On August 27, 2021, Terrance Green issued a check in the amount of \$212 to Damascus Township. On August 30, 2021, \$440 was withheld from Greg Smith and Victor Johnson's pay check. This finding for recovery is considered repaid under audit.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

Damascus Township Trustees

4133 County Road P

McClure Ohio, 43534

Dennis Ehlers: Fiscal Officer/Clerk

Trustee: Greg Smith

Trustee: Victor Johnson

Trustee: Nathan Johnson

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2020 AND 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material Weakness due to errors in financial reporting.	Not Corrected and reissued as Finding 2020-001 in this report.	This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements and notes to the financial statements prior to filing the Township's annual report. The Township is implementing procedures to correct these errors for the future.
2018-002	Material weakness and noncompliance with Ohio Rev. Code § 5705.10(F) for failure to properly record the sale of capital assets.	Fully corrected.	

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OHIO AUDITOR OF STATE KEITH FABER



DAMASCUS TOWNSHIP

HENRY 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 11/4/2021

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