



OHIO AUDITOR OF STATE
KEITH FABER



**TRURO TOWNSHIP
FRANKLIN COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Truro Township
Franklin County
6900 East Main Street
Reynoldsburg, Ohio 43068

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 combined total as of and for the year ended December 31, 2019 and for each governmental fund type as of and for the year ended December 31, 2018 and related notes of Truro Township, Franklin 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 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 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

February 18, 2021

Truro Township
 Franklin 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	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$1,166,122	\$6,079,606				\$7,245,728
Charges for Services		836,503				836,503
Licenses, Permits and Fees	18,876	12,321				31,197
Intergovernmental	83,436	887,185				970,621
Earnings on Investments	9,217				\$660	9,877
Miscellaneous	9,181	105,965				115,146
<i>Total Cash Receipts</i>	<u>1,286,832</u>	<u>7,921,580</u>	<u>0</u>	<u>0</u>	<u>660</u>	<u>9,209,072</u>
Cash Disbursements						
Current:						
General Government	220,530					220,530
Public Safety		7,959,083				7,959,083
Public Works		108,229				108,229
Health		56,887			261	57,148
Capital Outlay	208,567			1,321,118		1,529,685
Debt Service:						
Principal Retirement		110,000	745,000			855,000
Interest and Fiscal Charges		60,244	51,393			111,637
<i>Total Cash Disbursements</i>	<u>429,097</u>	<u>8,294,443</u>	<u>796,393</u>	<u>1,321,118</u>	<u>261</u>	<u>10,841,312</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>857,735</u>	<u>(372,863)</u>	<u>(796,393)</u>	<u>(1,321,118)</u>	<u>399</u>	<u>(1,632,240)</u>
Other Financing Receipts (Disbursements)						
Transfers In			796,393			796,393
Transfers Out		(796,393)				(796,393)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>(796,393)</u>	<u>796,393</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>857,735</u>	<u>(1,169,256)</u>	<u>0</u>	<u>(1,321,118)</u>	<u>399</u>	<u>(1,632,240)</u>
<i>Fund Cash Balances, January 1</i>	<u>2,364,876</u>	<u>4,118,457</u>		<u>1,321,118</u>	<u>65,418</u>	<u>7,869,869</u>
Fund Cash Balances, December 31						
Nonspendable					65,000	65,000
Restricted		2,949,201			817	2,950,018
Assigned	1,279,988					1,279,988
Unassigned	1,942,623					1,942,623
<i>Fund Cash Balances, December 31</i>	<u>\$3,222,611</u>	<u>\$2,949,201</u>	<u>\$0</u>	<u>\$0</u>	<u>\$65,817</u>	<u>\$6,237,629</u>

See accompanying notes to the basic financial statements

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**TOWNSHIP OF TRURO, OHIO
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Truro Township, Franklin 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.

The Township participates in the Ohio Plan Risk Management, Inc. public entity risk pool and the MECC Regional Council of Governments, a jointly governed organization. Notes 11 and 12 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.

B. Accounting Basis

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

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

C. Deposits

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.

D. 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. Township classifies its funds into the following types:

1. General Fund

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

**TOWNSHIP OF TRURO, OHIO
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

2. Special Revenue Funds

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

Fire District Fund - This fund receives property tax money and other intergovernmental revenue for maintaining and operating the Township's fire department.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Bond Retirement Fund – This fund accounts for and reports resources restricted for the retirement of debt issued for the purpose of constructing, acquiring, furnishing, and equipping Township Fire Station and Offices.

4. Capital Project Fund

This fund accounts 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:

Fire House Fund- The Township obtained a note for the construction of a new fire house. The proceeds are restricted for capital improvement.

5. Permanent Fund

This fund accounts for and reports resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Township's programs (for the benefit of the Township and its citizenry). The Township had the following significant permanent fund:

Silent Home Cemetery Bequest Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

E. Budgetary Process

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

1. 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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**TOWNSHIP OF TRURO, OHIO
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2019 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Non-spendable

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

2. Restricted

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

3. 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.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**TOWNSHIP OF TRURO, OHIO
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

5. Unassigned

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

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

G. Capital Assets

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

H. 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.

2. DEPOSITS

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

	<u>2019</u>
Demand deposits	<u>\$6,172,629</u>
Certificates of deposit	<u>65,000</u>
Total deposits	<u><u>\$6,237,629</u></u>

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

**TOWNSHIP OF TRURO, OHIO
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

3. 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	\$1,275,796	\$1,286,832	\$11,036
Special Revenue	7,888,652	7,921,580	32,928
Debt Service	796,393	796,393	0
Capital Projects	0	0	0
Permanent	660	660	0
Total	\$9,961,501	\$10,005,465	\$43,964

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,963,897	\$429,097	\$1,534,800
Special Revenue	9,090,836	9,090,836	0
Debt Service	796,393	796,393	0
Capital Project	1,321,118	1,321,118	0
Permanent	300	261	39
Total	\$13,172,544	\$11,637,705	\$1,534,839

4. 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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. Tangible personal property tax is being phased out – the assessment percentage for all property including inventory has been reduced to zero.

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

5. LEASE PURCHASE AGREEMENT

The Board of Trustees declared its intent to construct and equip a new fire house (Sta. 162) for the Township. Ohio Revised Code 505.267 (and expanded 505.37) allows townships to enter into lease purchase agreements with respect to fire and police protection. To fund the fire house construction, the Township went through Ohio Township Association Leasing, LLC (OTAL). OTAL issued \$3,345,000 in Certificates of Participation in May 2005.

**TOWNSHIP OF TRURO, OHIO
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The Certificates are not debt of the Township. Under the terms of the lease, the Township will lease the project from OTAL for an annual payment equal to the principal payment due on OTAL's Certificates debt schedule. The Township will also make semi-annual payments equal to the interest payments on OTAL's Certificates debt schedule. The payments are subject to annual appropriation by the Township. The debt schedule is for 30 years ending December 31, 2035. At the conclusion of the 30-year Renewable Lease Purchase Agreement, the Township obtains ownership of the fire house, the grounds, and any facility equipment.

In November 2016, the Township authorized a Bond Refunding of the above Certificates of Participation, entered into a ground lease agreement with Buckeye Leasing Services (BLS) and issued \$2,435,000 in Certificates of Participation. The Certificates are not debt of the Township. Under the terms of the lease, the Township will lease the project from BLS for an annual payment equal to the principal payment due on BLS's Certificates debt schedule. The Township will also make semi-annual payments equal to the interest payments on BLS's Certificates debt schedule. The payments are subject to annual appropriation by the Township. The renewable lease debt schedule ends December 31, 2035. At the conclusion of the Renewable Lease Purchase Agreement, the Township obtains ownership of the fire house, the grounds, and any facility equipment.

The lease payments, including interest, are scheduled as follows:

Year ending December 31:	Principal due on 12-1	Interest Due	Yearly Total
2020	110,000	56,544	166,544
2021	115,000	54,344	169,344
2022	115,000	52,044	167,044
2023	120,000	49,744	169,744
2024	120,000	47,344	167,344
2025-2029	640,000	193,781	833,781
2030-2034	740,000	94,369	834,369
2035	160,000	5,000	165,000
Total	<u>\$2,120,000</u>	<u>\$553,169</u>	<u>\$2,673,169</u>

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2019, employees participating in OP&F contributed 8.25% percent of their gross wages and the Township contributed the remaining 4%. For 2019, employees, who were not elected officials, participating in OPERS contributed 6.00% percent of their gross wages and the Township contributed the remaining 4%. The Township has paid all contributions required through December 31, 2019.

**TOWNSHIP OF TRURO, OHIO
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

7. POSTEMPLOYMENT BENEFITS

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

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

8. DEBT

Debt outstanding at December 31, 2019 was as follows:

On February 14, 2018, the Township issued \$3,031,000 Fire Station Construction and Improvement General Obligation Notes at an interest rate ranging from 1.95 percent to 2.40 percent with a final maturity date of December 1, 2021. The notes were issued for the purpose of Constructing, Acquiring, Furnishing, and Equipping Township Fire Station and Offices.

	<u>Principal</u>	<u>Interest Rate</u>
Fire Station Construction Notes	\$1,537,000	2.25%-2.40%

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

	<u>Principal Due</u>	<u>Interest Due</u>
Year Ending December 31:		
2020	760,000	35,748
2021	777,000	18,648
Total	<u>\$1,537,000</u>	<u>\$54,396</u>

9. CONSTRUCTION COMMITMENTS

The Fire Station and Offices Construction Project is scheduled to be completed in 2020. The construction outstanding at December 31, 2019, including retainage, was \$1,043,692.98.

**TOWNSHIP OF TRURO, OHIO
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

10. INTERFUND TRANSFERS

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following transfer occurred during the year ended December 31, 2019.

<u>Transfer Out</u>	<u>Transfer In</u>
	<u>Debt Service</u>
Fire District Fund	\$796,393

11. RISK MANAGEMENT

The Township is exposed to various risks or property and casualty losses and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

Risk Pool Membership

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

**TOWNSHIP OF TRURO, OHIO
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	<u>(11,329,011)</u>
Members' Equity	<u>\$ 4,591,493</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

12. RELATED ORGANIZATIONS

The MECC Regional Council of Governments (Council) helps foster cooperation between municipalities/townships to more effectively manage the provision of shared services and programs, including efficient methods of delivery of public safety dispatch operations, fire, law enforcement and emergency medical and related services, technology services, and selected benefit services, and to promote cooperative agreements and contracts. The Board is comprised of one member from each of the founding members (Truro, Violet, Mifflin, Jefferson and Plain Townships). The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. The Township contributed \$315,643 in 2019. The Council's financial statements may be obtained by contacting the MECC Regional Council of Governments in Gahanna.

13. SUBSEQUENT EVENTS

In February 2019, the Fire Station Construction Project general contractor defaulted on the project and working with surety and legal counsel, a new contractor was engaged with a tender agreement established in December 2019. The Fire Station Construction Project is scheduled to be completed in 2020.

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Truro Township
Franklin 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, 2018

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$1,167,171	\$6,077,551				\$7,244,722
Charges for Services		807,537				807,537
Licenses, Permits and Fees	17,364	7,016				24,380
Intergovernmental	86,864	876,426				963,290
Earnings on Investments	10,528				\$171	10,699
Miscellaneous	2,902	74,408				77,310
<i>Total Cash Receipts</i>	<u>1,284,829</u>	<u>7,842,938</u>	<u>0</u>	<u>0</u>	<u>171</u>	<u>9,127,938</u>
Cash Disbursements						
Current:						
General Government	165,417					165,417
Public Safety		7,598,480				7,598,480
Public Works		100,290				100,290
Health		19,096			300	19,396
Capital Outlay				1,679,332		1,679,332
Debt Service:						
Principal Retirement		105,000	749,000			854,000
Interest and Fiscal Charges		62,344	46,932	30,550		139,826
<i>Total Cash Disbursements</i>	<u>165,417</u>	<u>7,885,210</u>	<u>795,932</u>	<u>1,709,882</u>	<u>300</u>	<u>10,556,741</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,119,412</u>	<u>(42,272)</u>	<u>(795,932)</u>	<u>(1,709,882)</u>	<u>(129)</u>	<u>(1,428,803)</u>
Other Financing Receipts (Disbursements)						
Sale of Notes				3,031,000		3,031,000
Transfers In			795,932			795,932
Transfers Out		(795,932)				(795,932)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>(795,932)</u>	<u>795,932</u>	<u>3,031,000</u>	<u>0</u>	<u>3,031,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>1,119,412</u>	<u>(838,204)</u>	<u>0</u>	<u>1,321,118</u>	<u>(129)</u>	<u>1,602,197</u>
<i>Fund Cash Balances, January 1</i>	<u>1,245,464</u>	<u>4,956,661</u>	<u>0</u>		<u>65,547</u>	<u>6,267,672</u>
Fund Cash Balances, December 31						
Nonspendable					65,000	65,000
Restricted		4,118,457		1,321,118	418	5,439,993
Assigned	2,021,694					2,021,694
Unassigned	343,182					343,182
<i>Fund Cash Balances, December 31</i>	<u>\$2,364,876</u>	<u>\$4,118,457</u>	<u>\$0</u>	<u>\$1,321,118</u>	<u>\$65,418</u>	<u>\$7,869,869</u>

See accompanying notes to the basic financial statements

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**TOWNSHIP OF TRURO, OHIO
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Truro Township, Franklin 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.

The Township participates in the Ohio Plan Risk Management, Inc. public entity risk pool and the MECC Regional Council of Governments, a jointly governed organization. Notes 11 and 12 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.

B. Accounting Basis

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

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

C. Deposits

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.

D. 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. Township classifies its funds into the following types:

1. General Fund

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

**TOWNSHIP OF TRURO, OHIO
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

2. Special Revenue Funds

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

Fire District Fund - This fund receives property tax money and other intergovernmental revenue for maintaining and operating the Township's fire department.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Bond Retirement Fund – This fund accounts for and reports resources restricted for the retirement of debt issued for the purpose of constructing, acquiring, furnishing, and equipping Township Fire Station and Offices.

4. Capital Project Fund

This fund accounts 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:

Fire House Fund- The Township obtained a note for the construction of a new fire house. The proceeds are restricted for capital improvement.

5. Permanent Fund

This fund accounts for and reports resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Township's programs (for the benefit of the Township and its citizenry). The Township had the following significant permanent fund:

Silent Home Cemetery Bequest Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

E. Budgetary Process

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

1. 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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**TOWNSHIP OF TRURO, OHIO
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2018 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Non-spendable

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

2. Restricted

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

3. 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.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

**TOWNSHIP OF TRURO, OHIO
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

G. Capital Assets

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

H. 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.

2. DEPOSITS

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

	<u>2018</u>
Demand deposits	<u>\$7,804,869</u>
Certificates of deposit	<u>65,000</u>
Total deposits	<u><u>\$7,869,869</u></u>

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

**TOWNSHIP OF TRURO, OHIO
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

3. BUDGETARY ACTIVITY

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

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,229,624	\$1,284,829	\$55,205
Special Revenue	7,780,749	7,842,938	62,189
Debt Service	795,932	795,932	0
Capital Projects	3,031,000	3,031,000	0
Permanent	170	171	1
Total	\$12,837,475	\$12,954,870	\$117,395

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,217,584	\$165,417	\$3,052,167
Special Revenue	8,681,142	8,681,142	0
Debt Service	795,932	795,932	0
Capital Projects	1,709,882	1,709,882	0
Permanent	300	300	0
Total	\$14,404,840	\$11,352,673	\$3,052,167

4. 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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. Tangible personal property tax is being phased out – the assessment percentage for all property including inventory has been reduced to zero.

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

**TOWNSHIP OF TRURO, OHIO
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

5. LEASE PURCHASE AGREEMENT

The Board of Trustees declared its intent to construct and equip a new fire house (Sta. 162) for the Township. Ohio Revised Code 505.267 (and expanded 505.37) allows townships to enter into lease purchase agreements with respect to fire and police protection. To fund the fire house construction, the Township went through Ohio Township Association Leasing, LLC (OTAL). OTAL issued \$3,345,000 in Certificates of Participation in May 2005. The Certificates are not debt of the Township. Under the terms of the lease, the Township will lease the project from OTAL for an annual payment equal to the principal payment due on OTAL's Certificates debt schedule. The Township will also make semi-annual payments equal to the interest payments on OTAL's Certificates debt schedule. The payments are subject to annual appropriation by the Township. The debt schedule is for 30 years ending December 31, 2035. At the conclusion of the 30-year Renewable Lease Purchase Agreement, the Township obtains ownership of the fire house, the grounds, and any facility equipment.

In November 2016, the Township authorized a Bond Refunding of the above Certificates of Participation, entered into a ground lease agreement with Buckeye Leasing Services (BLS) and issued \$2,435,000 in Certificates of Participation. The Certificates are not debt of the Township. Under the terms of the lease, the Township will lease the project from BLS for an annual payment equal to the principal payment due on BLS's Certificates debt schedule. The Township will also make semi-annual payments equal to the interest payments on BLS's Certificates debt schedule. The payments are subject to annual appropriation by the Township. The renewable lease debt schedule ends December 31, 2035. At the conclusion of the Renewable Lease Purchase Agreement, the Township obtains ownership of the fire house, the grounds, and any facility equipment.

The lease payments, including interest, are scheduled as follows:

Year ending December 31:	Principal due on 12-1	Interest Due	Yearly Total
2019	110,000	58,744	168,744
2020	110,000	56,544	166,544
2021	115,000	54,344	169,344
2022	115,000	52,044	167,044
2023	120,000	49,744	169,744
2024-2028	625,000	209,494	834,494
2029-2033	720,000	116,156	836,156
2034-2035	315,000	14,844	329,844
Total	<u>\$2,230,000</u>	<u>\$611,913</u>	<u>\$2,841,913</u>

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include post-retirement healthcare and survivor and disability benefits.

**TOWNSHIP OF TRURO, OHIO
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The Ohio Revised Code also prescribes contribution rates. For 2018, employees participating in OP&F contributed 5.25% percent of their gross wages and the Township contributed the remaining 7%. For 2018, employees, who were not elected officials, participating in OPERS contributed 3.00% percent of their gross wages and the Township contributed the remaining 7%. The Township has paid all contributions required through December 31, 2018.

7. POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

8. DEBT

Debt outstanding at December 31, 2018 was as follows:

On February 14, 2018, the Township issued \$3,031,000 Fire Station Construction and Improvement General Obligation Notes at an interest rate ranging from 1.95 percent to 2.40 percent with a final maturity date of December 1, 2021. The notes were issued for the purpose of Constructing, Acquiring, Furnishing, and Equipping Township Fire Station and Offices.

	<u>Principal</u>	<u>Interest Rate</u>
Fire Station Construction Notes	\$2,282,000	2.10%-2.40%

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

	<u>Principal Due</u>	<u>Interest Due</u>
Year Ending December 31:		
2019	745,000	51,393
2020	760,000	35,748
2021	<u>777,000</u>	<u>18,648</u>
Total	<u>\$2,282,000</u>	<u>\$105,789</u>

9. CONSTRUCTION COMMITMENTS

The Fire Station and Offices Construction Project is scheduled to be completed in 2020. The construction outstanding at December 31, 2018, including retainage, was \$2,301,745.

**TOWNSHIP OF TRURO, OHIO
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

10. INTERFUND TRANSFERS

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following transfer occurred during the year ended December 31, 2018.

<u>Transfer Out</u>	<u>Transfer In</u> <u>Debt Service</u>
Fire District	\$795,932

11. RISK MANAGEMENT

The Township is exposed to various risks or property and casualty losses and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

Risk Pool Membership

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

**TOWNSHIP OF TRURO, OHIO
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

12. RELATED ORGANIZATIONS

The MECC Regional Council of Governments (Council) helps foster cooperation between municipalities/townships to more effectively manage the provision of shared services and programs, including efficient methods of delivery of public safety dispatch operations, fire, law enforcement and emergency medical and related services, technology services, and selected benefit services, and to promote cooperative agreements and contracts. The Board is comprised of one member from each of the founding members (Truro, Violet, Mifflin, Jefferson and Plain Townships). The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. The Township contributed \$9,600 in 2018. The Council's financial statements may be obtained by contacting the MECC Regional Council of Governments in Gahanna.

13. SUBSEQUENT EVENTS

In February 2019, the Fire Station Construction Project general contractor defaulted on the project and working with surety and legal counsel, a new contractor was engaged with a tender agreement established in December 2019. The Fire Station Construction Project is scheduled to be completed in 2020.

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OHIO AUDITOR OF STATE KEITH FABER



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

Truro Township
Franklin County
6900 East Main Street
Reynoldsburg, Ohio 43068

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 combined total as of and for the year ended December 31, 2019 and for each governmental fund type as of and for the year ended December 31, 2018 and the related notes of Truro Township, Franklin County, (the Township) and have issued our report thereon dated February 18, 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.

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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-002 and 2019-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2019-001 and 2019-002.

Government's Response to Findings

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

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

February 18, 2021

**TRURO TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

FINDING NUMBER 2019-001

Compliance of Debt Covenants – Noncompliance

In 2016, the Township levied a tax for the purpose of current expenses. Ohio Revised Code Section 5705.01 (F) indicates ""Current operating expenses" and "current expenses" means the lawful expenditures of a subdivision, except those for permanent improvements and except payments for interest, sinking fund and retirement of bonds, notes and certificates of indebtedness of the subdivision."

In March 2018 the Township issued general obligation notes for the construction of a new fire station. As described in section 10 of resolution 2018-002, "There shall be and is hereby levied annually on all the taxable property in the Township, in addition to all other taxes and inside the ten-mill limitation, a direct tax (the "Debt Service Levy") for each year during which any of the Notes are outstanding for the purpose of providing, and in an amount which is sufficient to provide, funds to pay interest upon the Notes as and when the same falls due and to provide a fund for the repayment of the principal of the Notes at maturity or upon redemption. The Debt Service Levy shall not be less than the interest and sinking fund tax required by Article XII, Section 11 of the Ohio Constitution."

The Tax Compliance Certificate, provided with the issuances of the notes, section 2.60 further requires the deposit of the note proceeds into a project fund. Section 1.20 of the Tax Compliance Certificate defines the project fund as the permanent improvement fund maintained by the issuer.

The Township did not levy a tax specifically for the purposes of issuing this debt as required within the debt agreement. Instead, the Township chose to use the revenues from its current expense levy within its general fund to make transfers to the debt service fund in the amount of the debt payment. This was not a proper use of the current expense levy approved by the voters. In addition, the Township chose to record the note proceeds and all related expenditures of the construction project within the general fund rather than using a permanent improvement fund as required.

The Township is in noncompliance with Ohio Revised Code section 5705.01 (F) and two debt covenants which could result in the debt being recalled by the issuer. The Township should seek guidance from the issuer of the notes on how to proceed in correcting these instances of noncompliance.

In 2018, \$795,932 was transferred out of General Fund and it will be reclassified to be transferred out of Fire Fund.

In 2019, 796,393 was transferred out of General Fund and it will be reclassified to be transferred out of Fire Fund.

For future instances of debt issuances, we recommend the Township to establish procedures to help ensure all debt covenants have been met.

Official's Response: A response was not provided by the Township.

**TRURO TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS (Continued)
DECEMBER 31, 2019 AND 2018**

FINDING NUMBER 2019-002

Improper Use of Levy Funds- Material Weakness & Noncompliance

Ohio Rev. Code §5705.05 indicates the purpose and intent of the general levy for current expenses is to provide one general operating fund derived from taxation from which any expenditures for current expenses of any kind may be made. The taxing authority of a political subdivision may include in such levy the amounts required for carrying into effect any of the general or special powers granted by law to such subdivision including the acquisition or construction of permanent improvements and the payment of judgments, but excluding the payment of debt charges.

In 2016, voters approved a current expense levy for the Township's general fund. In 2019 and 2018, the Township utilized revenues generated from this levy to transfer monies to its debt service fund for principal retirement of its notes obtained for the construction of a new fire house. This was an improper use of current expense levy tax revenues.

Adjustments were made to the Township's financial statements in both 2019 and 2018 to return these levy monies back to the general fund in the amount of \$796,393 and \$795,932 respectively and to establish a transfer from the Township's Fire District Special revenue fund to the debt service fund for the same amount, as the debt payment is an allowable expense of the tax revenues being collected by the Fire District Special Revenue fund.

The Township should establish internal controls to help ensure levy monies are being used for the purposes approved by voters in the ballot language.

Official's Response: A response was not provided by the Township.

**TRURO TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS (Continued)
DECEMBER 31, 2019 AND 2018**

FINDING NUMBER 2019-003

Accurate Financial Reporting- Material Weakness

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.

The following adjustments were identified and were subsequently posted to the financial statements:

- In 2019, \$836,503 of Charges for Services was in correctly posted as Licenses, permits and fees within Special Revenue funds.
- In 2019 and 2018, capital outlay expenditures for the construction of a new Fire House, totaling \$1,321,118 and \$1,679,332, were reclassified from the General fund to a Capital Projects fund along with the corresponding note proceeds received in 2018 of \$3,031,000 and \$30,550 of issuance costs.

Modifications were also made to the Township's notes to the financial statements for each year to include the capital projects fund.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Township develop policies and procedures to enhance its controls over recording of financial activity to help ensure the information is accurately presented, increasing the reliability of the financial data throughout the year.

Official's Response:

In July 2019, the Township upgraded to a new accounting software system to the UAN due to the Township's previous accounting system no longer being supported. During this process, a new chart of accounts and routing were created. Charges for Services were established as Fees during the establishment process. Upon notification and review, the Township has made the corrections to the accounting system and internal controls over postings.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Financial Reporting – Material Weakness	Not Corrected	Repeated as Finding 2019-003.

OHIO AUDITOR OF STATE KEITH FABER



TRURO TOWNSHIP

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/11/2021

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