



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW  
Fourth Floor  
Canton, Ohio 44702  
Telephone 330-438-0617  
800-443-9272  
Facsimile 330-471-0001  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

Jefferson Township  
Richland County  
P.O. Box 557  
Bellville, Ohio 44813

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Richland County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2000 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 grants.

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

February 22, 2000



**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Local Taxes	\$27,633	\$468,448	\$12,000	\$508,081
Intergovernmental	50,798	110,114		160,912
Earnings on Investments	1,695	3,391		5,086
Miscellaneous	1,000	2,663		3,663
	<u>81,126</u>	<u>584,616</u>	<u>12,000</u>	<u>677,742</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	64,327			64,327
Public Safety		155,619		155,619
Public Works	3,094	211,020		214,114
Health	800			800
Conservation - Recreation	600			600
Debt Service:				
Redemption of Principal			10,000	10,000
Interest and Fiscal Charges			891	891
Capital Outlay	15,000	29,887		44,887
	<u>83,821</u>	<u>396,526</u>	<u>10,891</u>	<u>491,238</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(2,695)</u>	<u>188,090</u>	<u>1,109</u>	<u>186,504</u>
Other Financing Receipts:				
Sale of Fixed Assets	21,372			21,372
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	18,677	188,090	1,109	207,876
Fund Cash Balances, January 1, 1999	<u>42,823</u>	<u>265,016</u>	<u>2,213</u>	<u>310,052</u>
<b>Fund Cash Balances, December 31, 1999</b>	<u><u>\$61,500</u></u>	<u><u>\$453,106</u></u>	<u><u>\$3,322</u></u>	<u><u>\$517,928</u></u>
Reserve for Encumbrances, December 31	<u><u>\$286</u></u>	<u><u>\$1,621</u></u>	<u><u>\$0</u></u>	<u><u>\$1,907</u></u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Local Taxes	\$19,395	\$404,110	\$15,000	\$438,505
Intergovernmental	51,820	125,904		177,724
Earnings on Investments	1,483	2,966		4,449
Miscellaneous	4,282	10,665		14,947
	<u>76,980</u>	<u>543,645</u>	<u>15,000</u>	<u>635,625</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	68,744			68,744
Public Safety		158,333		158,333
Public Works		245,154		245,154
Health	700			700
Conservation - Recreation	600			600
Debt Service:				
Redemption of Principal		10,000	16,528	26,528
Interest and Fiscal Charges			2,509	2,509
Capital Outlay		85,805		85,805
	<u>70,044</u>	<u>499,292</u>	<u>19,037</u>	<u>588,373</u>
Total Cash Receipts Over/(Under) Cash Disbursements	6,936	44,353	(4,037)	47,252
Fund Cash Balances, January 1, 1998	<u>35,887</u>	<u>220,663</u>	<u>6,250</u>	<u>262,800</u>
<b>Fund Cash Balances, December 31, 1998</b>	<u><u>\$42,823</u></u>	<u><u>\$265,016</u></u>	<u><u>\$2,213</u></u>	<u><u>\$310,052</u></u>
Reserve for Encumbrances, December 31	<u><u>\$523</u></u>	<u><u>\$5,266</u></u>	<u><u>\$0</u></u>	<u><u>\$5,789</u></u>

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



**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Jefferson Township, Richland County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance and fire protection.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash**

Certificates of deposit are valued at cost.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Fire District Fund - This fund is used to account for property tax revenues received and used to pay for fire protection and emergency medical services.

Permissive Sales Tax Fund - This fund is used to account for sales tax revenues received and used to pay for road projects.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**3. Debt Service Fund**

The Debt Service Fund is used to accumulate resources for the payment of note indebtedness. The Township had the following significant Debt Service Fund:

Road and Bridge Debt Service Fund - This fund is used to accumulate resources for the payment of principal and interest on the Township's note for road equipment.

**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. Unencumbered appropriations lapse at year end.

**2. 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 also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not use the encumbrance method of accounting.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**2. EQUITY IN POOLED CASH**

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	<b>1999</b>	<b>1998</b>
Demand deposits	\$357,928	\$310,052
Certificates of deposit	160,000	0
Total deposits	<b>\$517,928</b>	<b>\$310,052</b>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$71,500	\$102,498	\$30,998
Special Revenue	521,250	584,616	63,366
Debt Service	12,000	12,000	0
Total	<b>\$604,750</b>	<b>\$699,114</b>	<b>\$94,364</b>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$114,846	\$84,107	\$30,739
Special Revenue	791,532	398,147	393,385
Debt Service	14,213	10,891	3,322
Total	<b>\$920,591</b>	<b>\$493,145</b>	<b>\$427,446</b>

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$66,585	\$76,980	\$10,395
Special Revenue	487,050	543,645	56,595
Debt Service	15,000	15,000	0
Total	<b>\$568,635</b>	<b>\$635,625</b>	<b>\$66,990</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,472	\$70,567	\$31,905
Special Revenue	707,714	504,558	203,156
Debt Service	21,250	19,037	2,213
Total	\$831,436	\$594,162	\$237,274

**4. NONCOMPLIANCE**

Contrary to Ohio Rev. Code Section 5705.41 (D), the Township did not certify the availability of funds prior to entering into the commitment in 1999 and 1998.

Contrary to Ohio Admin. Code Section 117-3-11 (C), the Township did not use the encumbrance method of accounting.

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

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

**6. DEBT**

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Road Grader Note	\$15,000	5.70%

The note was used to finance the purchase of a new road grader used for Township road maintenance. The note is collateralized by the road grader.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**6. DEBT (Continued)**

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

<u>Year ending December 31:</u>	<u>Road Grader Note</u>
2000	\$5,855
2001	5,570
2002	<u>5,285</u>
Total	<u><u>\$16,710</u></u>

**7. RETIREMENT SYSTEM**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

**8. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public official's liability

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

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OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

111 Second Street, NW  
Fourth Floor  
Canton, Ohio 44702  
Telephone 330-438-0617  
800-443-9272  
Facsimile 330-471-0001  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Jefferson Township  
Richland County  
P.O. Box 557  
Bellville, Ohio 44813

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Richland County, Ohio (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated February 22, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-40570-001 and 1999-40570-002.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated February 22, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 1999-40570-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

We also noted other matters involving internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated February 22, 2000.

This report is intended for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

February 22, 2000



**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Material Noncompliance**

**Finding # 1999-40570-001**

Ohio Rev. Code Section 5705.41 (D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

100% of the expenditures, contracts, and/or open purchase commitments tested were not properly certified by the Clerk prior to the obligation date of the expenditure. In addition, neither of the two exceptions were utilized. Failure to certify the availability of funds prior to entering into the commitment could result in making commitments in excess of available funds. The Township should establish procedures to ensure that all expenditures are certified prior to their obligation.

**Material Noncompliance and Reportable Condition**

**Finding # 1999-40570-002**

Ohio Admin. Code Section 117-3-11 (C) requires that each encumbrance be charged and posted against an appropriation account reducing the unencumbered balance appropriated for the account. Failure to properly encumber funds could result in the Township over-expending its appropriations.

For both 1999 and 1998, the Township did not use the encumbrance method of accounting as required by this section. We recommend the Clerk use purchase orders to encumber funds and post encumbrances to the Township's ledgers which will enable management to effectively monitor spending and assist the Township with budget management decisions. Audit adjustments were posted to the Township's ledgers and are appropriately reflected in the audited financial statements as reserves for encumbrances.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**JEFFERSON TOWNSHIP**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 4, 2000**