



**JEFFERSON TOWNSHIP
BROWN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**JEFFERSON TOWNSHIP
BROWN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund and Nonexpendable Trust Fund Types - For the Year Ended December 31, 2000	3
Combined State of Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund and Nonexpendable Trust Fund Types - For the Year Ended December 31, 1999	4
Notes to the Financial Statements	5
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13

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INDEPENDENT ACCOUNTANTS' REPORT

Jefferson Township
Brown County
7707 US 68
Russellville, Ohio 45168

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999. 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 audit.

We conducted our audit 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 audit 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 audit provides 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, 2000 and 1999, 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 May 29, 2001, 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. That report is an integral part of our audit performed in accordance with the *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

May 29, 2001

JEFFERSON TOWNSHIP
BROWN COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND NONEXPENDABLE TRUST FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Nonexpendable Trust</u>	
Cash Receipts:					
Local Taxes	\$10,436	\$6,266	\$0	\$0	\$16,702
Intergovernmental	27,014	52,989			80,003
Earnings on Investments	352	676		178	1,206
Other Revenue		200			200
Total Cash Receipts	<u>37,802</u>	<u>60,131</u>	<u>0</u>	<u>178</u>	<u>98,111</u>
Cash Disbursements:					
Current:					
General Government	25,005			60	25,065
Public Safety	5,330				5,330
Public Works		19,636			19,636
Health	1,770	9,777			11,547
Capital Outlay		7,027			7,027
Total Cash Disbursements	<u>32,105</u>	<u>36,440</u>	<u>0</u>	<u>60</u>	<u>68,605</u>
Total Receipts Over/(Under) Disbursements	<u>5,697</u>	<u>23,691</u>	<u>0</u>	<u>118</u>	<u>29,506</u>
Other Financing Receipts/(Disbursements):					
Other Sources	1,137	860			1,997
Total Other Financing Receipts/(Disbursements)	<u>1,137</u>	<u>860</u>	<u>0</u>	<u>0</u>	<u>1,997</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	6,834	24,551	0	118	31,503
Fund Cash Balances, January 1	21,458	51,830	1,583	2,981	77,852
Fund Cash Balances, December 31	<u>\$28,292</u>	<u>\$76,381</u>	<u>\$1,583</u>	<u>\$3,099</u>	<u>\$109,355</u>
Reserve for Encumbrances	<u>\$2,952</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,952</u>

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

JEFFERSON TOWNSHIP
BROWN COUNTY

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Nonexpendable Trust</u>	
Local Taxes	\$10,254	\$6,208			\$16,462
Intergovernmental	27,957	57,988			85,945
Earnings on Investments	360	1,125		\$84	1,569
Other Revenue		200			200
Total Cash Receipts	<u>38,571</u>	<u>65,521</u>	<u>\$0</u>	<u>84</u>	<u>104,176</u>
Cash Disbursements:					
Current:					
General Government	21,525			240	21,765
Public Safety	4,830				4,830
Public Works		28,433			28,433
Health	1,351	6,981			8,332
Capital Outlay	<u>10,500</u>	<u>60,127</u>			<u>70,627</u>
Total Cash Disbursements	<u>38,206</u>	<u>95,541</u>	<u>0</u>	<u>240</u>	<u>133,987</u>
Total Receipts Over/(Under) Disbursements	<u>365</u>	<u>(30,020)</u>	<u>0</u>	<u>(156)</u>	<u>(29,811)</u>
Other Financing Receipts/(Disbursements):					
Other Sources	<u>3,227</u>	<u>920</u>			<u>4,147</u>
Total Other Financing Receipts/(Disbursements)	<u>3,227</u>	<u>920</u>	<u>0</u>	<u>0</u>	<u>4,147</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,592	(29,100)	0	(156)	(25,664)
Fund Cash Balances, January 1	<u>17,866</u>	<u>80,930</u>	<u>1,583</u>	<u>3,137</u>	<u>103,516</u>
Fund Cash Balances, December 31	<u>\$21,458</u>	<u>\$51,830</u>	<u>\$1,583</u>	<u>\$2,981</u>	<u>\$77,852</u>

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

**JEFFERSON TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Jefferson Township, Brown 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. An elected Township Clerk is responsible for fiscal control of the resources of the Township. The Township provides general governmental services, including road maintenance, cemetery maintenance and fire protection services. The Township contracts with the Village of Russellville to provide fire services.

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 Deposits

Township funds are deposited in an interest bearing checking account with a local commercial bank. Two of the Township's three cemetery bequeath trust funds are invested in certificates of deposits which are valued at cost. The Township maintains an interest bearing savings account for the third cemetery bequeath trust fund.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are 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 that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**JEFFERSON TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Motor Vehicle License Tax Fund - This fund receives motor vehicle tax money for constructing, maintaining and repairing Township roads.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Cemetery Fund - This fund receives property tax money for cemetery maintenance and repair.

3. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant capital project fund:

Capital Project Fund - This fund accounts for balances remaining from a construction project.

4. Nonexpendable Trust Fund

This fund is used to account for resources restricted by legally binding trust agreements. The Township had the following trust fund:

Nonexpendable Trust - This fund receives interest from three separate bequests. All were entrusted to the Township by individual bequests for care of cemetery lots.

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.

The Township certified incorrect amounts available for expenditures in each fund to the County Auditor for January 1, 2001.

**JEFFERSON TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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. The Township did not encumber certain commitments required by Ohio Law. However, a review was performed to determine the amount of additional encumbrances outstanding at year-end which was not recorded. These additional encumbrances were added to the financial statements as reserves.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	<u>2000</u>	<u>1999</u>
Demand deposit	\$106,824	\$75,352
Certificates of deposit	<u>2,531</u>	<u>2,500</u>
	<u>\$109,355</u>	<u>\$77,852</u>

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, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$29,500	\$38,939	\$9,439
Special Revenue	66,600	60,991	(5,609)
Nonexpendable Trust	<u>140</u>	<u>178</u>	<u>38</u>
Total	<u>\$96,240</u>	<u>\$100,108</u>	<u>\$3,868</u>

**JEFFERSON TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$50,957	\$35,057	\$15,900
Special Revenue	118,432	36,440	81,992
Capital Projects	1,582	0	1,582
Nonexpendable Trust	3,119	60	3,059
Total	\$174,090	\$71,557	\$102,533

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,680	\$41,798	\$10,118
Special Revenue	64,700	66,441	1,741
Nonexpendable Trust	2,840	84	(2,756)
Total	\$99,220	\$108,323	\$9,103

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$49,546	\$38,206	\$11,340
Special Revenue	145,631	95,541	50,090
Capital Projects	1,582	0	1,582
Nonexpendable Trust	3,277	240	3,037
Total	\$200,036	\$133,987	\$66,049

4. 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 payment, 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.

**JEFFERSON TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. PROPERTY TAX (Continued)

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

5. RETIREMENT SYSTEMS

The Township's officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS are cost-sharing, multiple-employer plans. This plan provides retirement benefits, including post retirement 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. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries in 1999 and an amount equal to 10.84% in 2000. The Township has paid all contributions required through December 31, 2000.

6. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA) Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool has agreed to maintain a level contribution for all casualty coverages with limits not exceeding \$2,000,000 for a three-year period beginning June 25, 1999. The Pool may make supplemental assessments if the experience of the overall pool is unfavorable. The Pool covers the following risks:

- General liability and casualty
- Public officials' liability
- Property, vehicles, and equipment

7. NONCOMPLIANCE

Ohio law requires that contracts for maintenance and repair of Township roads be let by competitive bid when the amount of the repair or maintenance exceeds \$15,000. The Township paid for maintenance and repair of Township roads in amounts which exceeded \$15,000 without competitive bidding.

Ohio law prohibits a subdivision from including the principal of a nonexpendable trust fund as part of the unencumbered balance or revenue of the subdivision. The Township included the cemetery bequest principal in the Official and Amended Certificates of Estimated Resources and subsequently appropriated it.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Jefferson Township
Brown County
7707 US 68
Russellville, Ohio 45168

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 29, 2001. We conducted our audit 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which is described in accompanying schedule of findings as items 2000-40408-001 through 2000-40408-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 29, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the 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 May 29, 2001.

Jefferson Township
Brown County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

May 29, 2001

**JEFFERSON TOWNSHIP
BROWN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-40408-001

Material Noncompliance

Ohio Rev. Code, Section 5575.01, requires when the Board of Trustees proceed by contract the contract shall, if the amount involved exceeds fifteen thousand dollars, be let by the Board to the lowest responsible bidder after advertisement for bids. The Township did not properly bid road improvement and repair projects for 1999 which were subject to competitive bidding procedures. The Township expended \$10,500 from the General Fund, \$9,000 from the Motor Vehicle License Tax Fund, and \$50,862 from the Gasoline Tax Fund, which is respectively 27.5%, 99.6%, and 64.7% of total fund expenditures.

This Section also states in the maintenance and repair of road, the Board of Township Trustees may proceed either by contract or force account. Before undertaking the construction or reconstruction of a township road the board shall cause to be made by the county engineer an estimate of the cost of such work, which estimate shall include labor, material, freight, fuel, hauling, use of machinery and equipment, and all other items of cost. The Township Trustees did not obtain an estimate before bidding the road improvement or repair contracts. The Township Trustees should have an estimate prepared for all contracts over the bid threshold in order to adequately review bids received.

FINDING NUMBER 2000-40408-002

Material Noncompliance

Ohio Rev. Code, Section 5705.131, prohibits a subdivision from including the principal of a nonexpendable trust fund as part of the unencumbered balance or revenue of the subdivision. The Township received an amendment to the Official Certificate of Estimated Resources in 1999 for the principal amount of the trust funds and subsequently included in the unencumbered balance and appropriated for expenditure in 1999 and 2000. The Township Clerk should obtain an amended certificate to reduce the unencumbered balance for the Nonexpendable Trust Funds by \$2,700.

FINDING NUMBER 2000-40408-003

Material Noncompliance

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.

FINDING NUMBER 2000-40408-003
(Continued)

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 Township 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 fiscal officer may authorize payment through a Then-and-Now Certificate without affirmation of the Township Trustees, if such expenditure is otherwise valid.

When a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need to be certified.

Contrary to the above requirement, the availability of funds was not certified for all commitments at December 31, 2000 for the General Fund. The unencumbered amount was \$2,952, which was 10.44% of the General Fund balance. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash fund balances. Therefore, we recommend the Township obtain approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

Furthermore, Ohio Rev. Code, Section 5705.36, requires the fiscal officer to certify to the County Auditor on or about January 1 the amount available for expenditures in each fund in the budget, with year-end balances. Due to not certifying all year-end commitments, incorrect amounts were certified to the County Auditor for January 1, 2001.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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JEFFERSON TOWNSHIP

BROWN 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
JUNE 19, 2001**