



**JEFFERSON TOWNSHIP
ADAMS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**JEFFERSON TOWNSHIP
ADAMS COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Jefferson Township
Adams County
9136 Blue Creek Road
Blue Creek, Ohio 45616

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. 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 auditing standards generally accepted in the United States of America 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 of the Township as of December 31, 2001 and 2000, 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 June 20, 2002, 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 an audit performed in accordance with *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 and other officials authorized to receive this report under § 117.26, of the Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 20, 2002

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**JEFFERSON TOWNSHIP
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Totals (Memorandum Only)</u> |
|--|------------------------|----------------------------|-----------------------------|---|
| Cash Receipts: | | | | |
| Local Taxes | \$8,956 | \$16,486 | \$12,568 | \$38,010 |
| Intergovernmental | 20,730 | 66,163 | 1,661 | 88,554 |
| Interest | 1,942 | 340 | | 2,282 |
| Other Revenue | 898 | 8,027 | | 8,925 |
| | <u>32,526</u> | <u>91,016</u> | <u>14,229</u> | <u>137,771</u> |
| Total Cash Receipts | | | | |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 35,405 | | | 35,405 |
| Public Safety | 800 | 18,540 | | 19,340 |
| Public Works | | 79,253 | | 79,253 |
| Health | 2,546 | | | 2,546 |
| Capital Outlay | 1,006 | | 6,393 | 7,399 |
| | <u>39,757</u> | <u>97,793</u> | <u>6,393</u> | <u>143,943</u> |
| Total Cash Disbursements | | | | |
| Total Receipts Over/(Under) Disbursements | <u>(7,231)</u> | <u>(6,777)</u> | <u>7,836</u> | <u>(6,172)</u> |
| Other Financing Receipts: | | | | |
| Transfers-In | | 1,000 | | 1,000 |
| Transfers-Out | (1,000) | | | (1,000) |
| | <u>(1,000)</u> | <u>1,000</u> | <u>0</u> | <u>0</u> |
| Total Other Financing Receipts | | | | |
| Excess of Cash Receipts and Other Financing Receipts over(under) Cash Disbursements | (8,231) | (5,777) | 7,836 | (6,172) |
| Fund Cash Balances, January 1 | <u>27,401</u> | <u>18,525</u> | <u>35,081</u> | <u>81,007</u> |
| Fund Cash Balances, December 31 | <u>\$19,170</u> | <u>\$12,748</u> | <u>\$42,917</u> | <u>\$74,835</u> |

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

**JEFFERSON TOWNSHIP
ADAMS COUNTY**

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

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Totals (Memorandum Only)</u> |
|---|------------------------|----------------------------|-----------------------------|---|
| Cash Receipts: | | | | |
| Local Taxes | \$9,209 | \$16,972 | \$12,944 | \$39,125 |
| Intergovernmental | 36,803 | 81,428 | 5,913 | 124,144 |
| Interest | 1,871 | 452 | | 2,323 |
| Other Revenue | 63 | 823 | | 886 |
| | <u>47,946</u> | <u>99,675</u> | <u>18,857</u> | <u>166,478</u> |
| Total Cash Receipts | | | | |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 35,112 | | | 35,112 |
| Public Safety | | 21,767 | | 21,767 |
| Public Works | 39 | 89,221 | | 89,260 |
| Health | 2,502 | | | 2,502 |
| Capital Outlay | 10,520 | 3,400 | 11,807 | 25,727 |
| | <u>48,173</u> | <u>114,388</u> | <u>11,807</u> | <u>174,368</u> |
| Total Cash Disbursements | | | | |
| Total Receipts Over/(Under) Disbursements | <u>(227)</u> | <u>(14,713)</u> | <u>7,050</u> | <u>(7,890)</u> |
| Fund Cash Balances, January 1 | <u>27,628</u> | <u>33,238</u> | <u>28,031</u> | <u>88,897</u> |
| Fund Cash Balances, December 31 | <u>\$27,401</u> | <u>\$18,525</u> | <u>\$35,081</u> | <u>\$81,007</u> |

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

**JEFFERSON TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Jefferson Township, Adams 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 Deposits

The Township maintains all funds in an interest-bearing checking account, a savings account and certificates of deposit. 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:

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

Fire Levy Fund - This fund receives proceeds from a property tax levy for providing fire protection to Township residents.

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

**JEFFERSON TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

Fire Capital Equipment Levy Fund - This fund receives proceeds from a property tax levy for the acquisition of fire fighting 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. Appropriations lapse at year end.

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 also 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 carried over, and need not be reappropriated. The Township did not encumber all commitments as required by Ohio law. However, there were no material outstanding encumbrances at December 31, 2001 and 2000.

A summary of 2001 and 2000 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.

**JEFFERSON TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH DEPOSITS

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

| | <u>2001</u> | <u>2000</u> |
|-------------------------|-------------|-------------|
| Demand deposits | \$72,696 | \$81,007 |
| Certificates of deposit | 2,139 | 0 |
| Total deposits | \$74,835 | \$81,007 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

| 2001 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$31,497 | \$32,526 | \$1,029 |
| Special Revenue | 91,799 | 92,016 | 217 |
| Capital Project | 16,100 | 14,229 | (1,871) |
| Total | \$139,396 | \$138,771 | (\$625) |

| 2001 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$57,947 | \$40,757 | \$17,190 |
| Special Revenue | 110,607 | 97,793 | 12,814 |
| Capital Project | 52,133 | 6,393 | 45,740 |
| Total | \$220,687 | \$144,943 | \$75,744 |

| 2000 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$29,195 | \$47,946 | \$18,751 |
| Special Revenue | 96,564 | 99,675 | 3,111 |
| Capital Project | 14,800 | 18,857 | 4,057 |
| Total | \$140,559 | \$166,478 | \$25,919 |

**JEFFERSON TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 2000 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$56,823 | \$48,173 | \$8,650 |
| Special Revenue | 129,802 | 114,388 | 15,414 |
| Capital Project | 42,831 | 11,807 | 31,024 |
| Total | \$229,456 | \$174,368 | \$55,088 |

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.

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.

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

5. 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 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. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Auto
- General Liability
- Property
- Inland Marine
- Public Officials Liability



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JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

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

Jefferson Township
Adams County
9136 Blue Creek Road
Blue Creek, Ohio 45616

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 20, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2001-40401-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated June 20, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 2001-40401-001.

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

Jefferson Township
Adams County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also 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 June 20, 2002.

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.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 20, 2002

**JEFFERSON TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

FINDING NUMBER 2001-40401-001

Material Noncompliance/Reportable Condition

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 shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exception 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 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.

Where 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 be certified.

Contrary to the above requirement, the availability of funds was not certified for 68% of disbursements tested. 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.

We reported this matter in the management letter related to our audit of the 1999 and 1998 financial statements.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

ADAMS 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
JULY 9, 2002**