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**JEFFERSON TOWNSHIP  
CLINTON COUNTY  
Regular Audit  
For the Years Ended December 31, 2014 and 2013**

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# Dave Yost • Auditor of State

Board of Trustees  
Jefferson Township  
13505 US 68 South  
Midland, Ohio 45148

We have reviewed the *Independent Auditor's Report* of Jefferson Township, Clinton County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Jefferson Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 30, 2015

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**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

August 31, 2015

Jefferson Township  
Clinton County  
13505 US 68 South  
Midland, Ohio 45148

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of **Jefferson Township**, Clinton County, (the Township) as of and for the years ended December 31, 2014 and 2013.

### ***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 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 opinion.



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***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1B 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, 2014 and 2013, or 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 of Jefferson Township, Clinton County as of December 31, 2014 and 2013, and its cash receipts and disbursements for the years then ended 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 1B.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2015 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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 11,073	\$ 109,260	\$ -	\$ 120,333
Licenses, Permits and Fees	-	4,700	-	4,700
Intergovernmental	13,786	111,552	-	125,338
Earnings on Investments	369	632	23	1,024
Miscellaneous	-	5,200	-	5,200
<i>Total Cash Receipts</i>	<u>25,228</u>	<u>231,344</u>	<u>23</u>	<u>256,595</u>
<b>Cash Disbursements</b>				
Current:				
General Government	47,742	162,990	715	211,447
Public Safety	-	16,990	-	16,990
Public Works	-	6,401	-	6,401
Health	-	8,331	-	8,331
Debt Service:				
Principal Retirement	-	9,333	-	9,333
Interest	-	485	-	485
<i>Total Cash Disbursements</i>	<u>47,742</u>	<u>204,530</u>	<u>715</u>	<u>252,987</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(22,514)</u>	<u>26,814</u>	<u>(692)</u>	<u>3,608</u>
<b>Other Financing Receipts</b>				
Other Financing Sources	947	2,042	-	2,989
<i>Total Other Financing Receipts</i>	<u>947</u>	<u>2,042</u>	<u>-</u>	<u>2,989</u>
<i>Net Change in Fund Cash Balances</i>	<u>(21,567)</u>	<u>28,856</u>	<u>(692)</u>	<u>6,597</u>
<i>Fund Cash Balances, January 1</i>	<u>57,056</u>	<u>424,512</u>	<u>10,915</u>	<u>492,483</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	-	-	10,200	10,200
Restricted	-	453,368	23	453,391
Unassigned	35,489	-	-	35,489
<i>Fund Cash Balances, December 31</i>	<u>\$ 35,489</u>	<u>\$ 453,368</u>	<u>\$ 10,223</u>	<u>\$ 499,080</u>

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

**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 11,134	\$ 109,406	\$ -	\$ 120,540
Licenses, Permits, and Fees	-	4,250	-	4,250
Intergovernmental	7,822	139,464	-	147,286
Earnings on Investments	421	451	-	872
Miscellaneous	-	5,415	-	5,415
<i>Total Cash Receipts</i>	<u>19,377</u>	<u>258,986</u>	<u>-</u>	<u>278,363</u>
<b>Cash Disbursements</b>				
Current:				
General Government	52,757	132,366	163	185,286
Public Safety	-	50,720	-	50,720
Public Works	-	8,671	-	8,671
Health	-	13,923	-	13,923
Debt Service:				
Principle Retirement	-	13,539	-	13,539
Interest and Fiscal Charges	-	1,647	-	1,647
<i>Total Cash Disbursements</i>	<u>52,757</u>	<u>220,866</u>	<u>163</u>	<u>273,786</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(33,380)</u>	<u>38,120</u>	<u>(163)</u>	<u>4,577</u>
<b>Other Financing Receipts</b>				
Other Financing Sources	2,515	1,249	-	3,764
<i>Total Other Financing Receipts</i>	<u>2,515</u>	<u>1,249</u>	<u>-</u>	<u>3,764</u>
<i>Net Change in Fund Cash Balances</i>	<u>(30,865)</u>	<u>39,369</u>	<u>(163)</u>	<u>8,341</u>
<i>Fund Cash Balances, January 1</i>	<u>87,921</u>	<u>385,143</u>	<u>11,078</u>	<u>484,142</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	-	-	10,200	10,200
Restricted	-	424,512	715	425,227
Assigned	563	-	-	563
Unassigned	56,493	-	-	56,493
<i>Fund Cash Balances, December 31</i>	<u>\$ 57,056</u>	<u>\$ 424,512</u>	<u>\$ 10,915</u>	<u>\$ 492,483</u>

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

**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**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 Jefferson Township, Clinton 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 contracts with the Blanchester Community Services to provide ambulance services.

The Township participates in the Ohio Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organizations is:

Public Entity Risk Pool

OTARMA – The pool provides insurance and bonding coverage for the Township.

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 Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Deposits and Investments**

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

The Township values certificates of deposit 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Fund Accounting (Continued)**

**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:

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

Fire and EMS Levy Fund – This fund receives property tax money to provide fire protection and ambulance services to the Township's residents.

**3. Permanent Funds**

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

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus. 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. 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 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 required by Ohio law.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. Nonspendable**

The Township classifies assets as *nonspendable* 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.

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. Property, Plant and Equipment**

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

**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(CONTINUED)**

**2. EQUITY IN POOLED DEPOSITS**

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

	2014	2013
Demand deposits	\$488,880	\$482,283
Certificates of deposit	10,200	10,200
Total deposits	\$499,080	\$492,483

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 20,000	\$ 26,175	\$ 6,175
Special Revenue	180,500	233,386	52,886
Permanent	200	23	(177)
Total	\$ 200,700	\$ 259,584	\$ 58,884

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 65,213	\$ 47,742	\$ 17,471
Special Revenue	307,838	204,530	103,308
Permanent	715	715	-
Total	\$ 373,766	\$ 252,987	\$ 120,779

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 21,857	\$ 21,892	\$ 35
Special Revenue	236,426	260,235	23,809
Permanent	240	-	(240)
Total	\$ 258,523	\$ 282,127	\$ 23,604

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 70,148	\$ 53,320	\$ 16,828
Special Revenue	288,243	221,359	66,884
Permanent	877	163	714
Total	\$ 359,268	\$ 274,842	\$ 84,426

**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(CONTINUED)**

**4. PROPERTY TAX**

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.

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 elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multi-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

**6. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(CONTINUED)**

**6. RISK MANAGEMENT (CONTINUED)**

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,97,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2014</u>
\$8,750	\$8,904

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



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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**

August 31, 2015

Jefferson Township  
Clinton County  
13505 US 68 South  
Midland, Ohio 45148

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United State and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Jefferson Township**, Clinton County, (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated August 31, 2015, 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) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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 a 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. We consider findings 2014-001 and 2014-002 described in the accompanying schedule of audit findings to be material weaknesses.



**...*"bringing more to the table"***

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll  
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***Internal Control Over Financial Reporting (Continued)***

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-003 described in the accompanying schedule of audit findings to be a significant deficiency.

***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 determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2014-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 31, 2015.

***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 communication is not suitable for any other purpose.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Material Weakness**

**Posting Receipts and Disbursements**

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2014 and 2013, several receipts and disbursements were not posted to accurate classifications or funds based on the source of the receipt or disbursement. The following posting errors were noted:

- Restricted endowment fund receipts and disbursements were posted under the Special Revenue Fund instead of the Permanent Fund in 2013 and 2014.
- Revenue from grave opening and closings were posted as Charges for Services instead of Licenses, Permits, and Fees in 2013 and 2014.
- Homestead and Rollback State receipts were posted as Property Tax receipts instead of Intergovernmental Receipts in 2013 and 2014.
- Debt payments of Principal and Interest were posted as Public Safety Disbursements instead of Debt Service Disbursements broken out as principal and interest in 2013 and 2014.
- OTARMA capital disbursement receipts were posted under the Cemetery Bequest Fund instead of the Fire District Fund in 2014.
- State receipts were recorded as Other Financing Sources instead of Intergovernmental receipts in 2014.

Not posting receipts and disbursements accurately resulted in the financial statements requiring several reclassification and adjusting entries. The Township has posted all adjustments to their accounting system and the financial statements reflect all reclassifications and adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Township Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

**Management's Response** – We did not receive a response from Management to the finding above.

**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-002**

**Material Weakness**

The Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The Fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

Nonspendable Fund Balance – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Restricted Fund Balance – The restricted classification is used when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments (i.e. State Statutes); or (b) imposed by law through constitutional provisions (City Charter) or enabling legislation.

Committed Fund Balance – The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

Assigned Fund Balance – Assigned fund balance includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance – Unassigned fund balance is the residential classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Township has not formally adopted a policy to define whether the Township considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Auditor of State bulletin 2011-004 clarifies the impact of GASB 54 on Ohio governmental units and provides guidance on implementation.

The Township received money for trusts that were reported in the Special Revenue Funds. Under the GASB 54 Guidelines, the funds should have been reported in permanent funds classifying nonspendable and restricted portions of the fund balance.

The Township also had outstanding encumbrances in the General Fund at the end of 2013 that were classified as Unassigned. Under the GASB 54 Guidelines, the outstanding encumbrances should have been classified as Assigned.

We were not provided information to determine accurately the nonspendable balance in the Cemetery Bequest Fund.

**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-002 (CONTINUED)**

**Material Weakness (Continued)**

Fund types and fund balance classifications have been adjusted for proper display in the financial statements.

We recommend that the Township review the GASB 54 statement and adopt the required fund balance policies. The policy should define whether the auditee considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. The Township should also present permanent funds in accordance with the GASB pronouncements when preparing the financial statements.

**Management's Response** – We did not receive a response from management to the finding above.

**FINDING NUMBER 2014-003**

**Significant Deficiency/Noncompliance**

**Ohio Revised Code Section 5705.41(D)(1)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Township Trustees) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. Blanket Certificate – The Fiscal Officer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.

**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-003 (Continued)**

**Significant Deficiency/Noncompliance (Continued)**

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

57% of the disbursements tested in 2014 were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are, or will be, available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

**Management's Response** – We did not receive a response from management to the finding above.

**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	OAC 117-2-02 Maintaining an accounting system	No	Partially Corrected, Repeated as Finding 2014-001.
2012-002	ORC 505.24C Township Trustee compensation allocation	Yes	N/A
2012-003	GASB statement No. 54 misclassifications	No	Partially Corrected, Repeated as Finding 2014-002.
2012-004	OAC 117-2-01 Maintaining internal controls	Yes	N/A
2012-005	ORC 517.07 Sale of cemetery lots	Yes	N/A
2012-006	ORC 5705.41(D) Encumbering noncompliance	No	Not Corrected, Repeated as Finding 2014-003.

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# Dave Yost • Auditor of State

**JEFFERSON TOWNSHIP**

**CLINTON 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  
DECEMBER 8, 2015**