



Dave Yost • Auditor of State



JEFFERSON TOWNSHIP  
JACKSON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Jefferson Township  
Jackson County  
1264 Antioch Road  
Oak Hill, Ohio 45656

To the Board of Trustees:

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

We have audited the accompanying financial statements and related notes of Jefferson Township, Jackson County, Ohio (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 § 117.38 and Ohio Administrative Code § 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.

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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 combined cash balances of Jefferson Township, Jackson County, Ohio, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during 2013, the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 28, 2015

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**JEFFERSON TOWNSHIP  
JACKSON 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	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$30,888	\$42,589	\$0	\$73,477
Intergovernmental	43,897	113,596	156,607	314,100
Earnings on Investments	101	12	0	113
Miscellaneous	4,792	0	0	4,792
<i>Total Cash Receipts</i>	<u>79,678</u>	<u>156,197</u>	<u>156,607</u>	<u>392,482</u>
<b>Cash Disbursements</b>				
Current:				
General Government	55,866	0	0	55,866
Public Works	0	162,716	0	162,716
Health	11,469	0	0	11,469
Capital Outlay	0	0	26,055	26,055
Debt Service:				
Principal Retirement	0	0	136,694	136,694
Interest and Fiscal Charges	0	0	981	981
<i>Total Cash Disbursements</i>	<u>67,335</u>	<u>162,716</u>	<u>163,730</u>	<u>393,781</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>12,343</u>	<u>(6,519)</u>	<u>(7,123)</u>	<u>(1,299)</u>
<i>Fund Cash Balances, January 1</i>	<u>45,806</u>	<u>75,441</u>	<u>149,430</u>	<u>270,677</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	42,754	142,307	185,061
Committed	0	21,268	0	21,268
Assigned	58,149	0	0	58,149
<i>Fund Cash Balances, December 31</i>	<u>\$58,149</u>	<u>\$68,922</u>	<u>\$142,307</u>	<u>\$269,378</u>

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

**JEFFERSON TOWNSHIP  
JACKSON 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	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$27,389	\$41,105	\$0	\$68,494
Intergovernmental	26,234	108,204	151,053	285,491
Earnings on Investments	127	8	0	135
<i>Total Cash Receipts</i>	<u>53,750</u>	<u>149,317</u>	<u>151,053</u>	<u>354,120</u>
<b>Cash Disbursements</b>				
Current:				
General Government	90,960	0	0	90,960
Public Safety	0	1,764	0	1,764
Public Works	0	89,377	0	89,377
Capital Outlay	0	0	10,333	10,333
Debt Service:				
Principal Retirement	0	0	97,563	97,563
Interest and Fiscal Charges	0	0	6,104	6,104
<i>Total Cash Disbursements</i>	<u>90,960</u>	<u>91,141</u>	<u>114,000</u>	<u>296,101</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(37,210)</u>	<u>58,176</u>	<u>37,053</u>	<u>58,019</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	0	4,141	0	4,141
Transfers Out	0	(4,141)	0	(4,141)
Other Financing Sources	1,949	1,044	0	2,993
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,949</u>	<u>1,044</u>	<u>0</u>	<u>2,993</u>
<i>Net Change in Fund Cash Balances</i>	<u>(35,261)</u>	<u>59,220</u>	<u>37,053</u>	<u>61,012</u>
<i>Fund Cash Balances, January 1</i>	<u>81,067</u>	<u>16,221</u>	<u>112,377</u>	<u>209,665</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	50,437	149,430	199,867
Committed	0	25,004	0	25,004
Assigned	45,806	0	0	45,806
<i>Fund Cash Balances, December 31</i>	<u>\$45,806</u>	<u>\$75,441</u>	<u>\$149,430</u>	<u>\$270,677</u>

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

**JEFFERSON TOWNSHIP  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
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 the Jefferson Township, Jackson 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, and fire protection services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool, and the Madison-Jefferson Joint Fire District which is defined as a jointly governed organization. Notes 6 and 7 to the financial statements provide additional information for these entities.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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 Fiscal Officer invests all available funds of the Township in an interest-bearing checking account.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**JEFFERSON TOWNSHIP  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
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 Fund:

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

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.. The Township had the following significant Capital Project Fund:

Community Improvement Fund - This fund receives sales tax money for constructing, maintaining, and repairing Township roads and bridges.

**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  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance**

Fund balance is divided into three 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. 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.

**2. 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.

**3. 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.

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.

**2. Equity in Pooled Deposits**

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

	<u>2014</u>	<u>2013</u>
Demand deposits	\$269,378	\$270,677

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**JEFFERSON TOWNSHIP  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**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	\$60,000	\$79,678	\$19,678
Special Revenue	129,500	156,197	26,697
Capital Projects	135,000	156,607	21,607
Total	\$324,500	\$392,482	\$67,982

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$139,175	\$67,335	\$71,840
Special Revenue	170,725	162,716	8,009
Capital Projects	284,400	163,730	120,670
Total	\$594,300	\$393,781	\$200,519

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,000	\$55,699	(\$11,301)
Special Revenue	121,006	154,502	33,496
Capital Projects	114,000	151,053	37,053
Total	\$302,006	\$361,254	\$59,248

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$148,066	\$90,960	\$57,106
Special Revenue	137,224	95,282	41,942
Capital Projects	226,000	114,000	112,000
Total	\$511,290	\$300,242	\$211,048

**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.

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

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

**JEFFERSON TOWNSHIP  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**5. Retirement System**

The Township's elected officials and employee belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include 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 equaling 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.

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 (the latest information available):

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

**JEFFERSON TOWNSHIP  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**6. Risk Management (Continued)**

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 \$2,000.

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.

<b><u>Contributions to OTARMA</u></b>	
<b><u>2013</u></b>	<b><u>2014</u></b>
\$4,050	\$4,050

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.

**7. Jointly Governed Organization**

The Madison-Jefferson Joint Fire District, Jackson County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Fire District is directed by an appointed five-member Board of Trustees. Three members are appointed by the Fire Fighter's Association and one is appointed by each of the Townships (Madison and Jefferson Townships) which are members of the Fire District. The Fire District provides the community with fire protection. To obtain financial information, write to Madison-Jefferson Joint Fire District, Joan Dill, Fiscal Officer, 240 North Front Street, Oak Hill, Ohio 45656.





# Dave Yost • Auditor of State

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

Jefferson Township  
Jackson County  
1264 Antioch Road  
Oak Hill, Ohio 45656

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Jefferson Township, Jackson County, Ohio (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 July 28, 2015 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the Township adopted new accounting guidance in Governmental Accounting Standards Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

### ***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 Findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Findings 2014-001, 2014-002, and 2014-005 described in the accompanying Schedule of Findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2014-001 through 2014-004.

***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 28, 2015

**JEFFERSON TOWNSHIP  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
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**

**Noncompliance/Material Weakness**

Ohio Rev. Code § 505.24(C) states, in part, by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

For nine months in 2013, the Board of Trustees were paid 100% from Motor Vehicle License Fund, Gasoline Tax Fund, and Road and Bridge Fund and did not complete time and effort documentation or certifications as required under Ohio Rev. Code § 505.24(C) and addressed in Auditor of State Bulletins 2013-002 and 2011-007. For one month during 2013, one Trustee did not complete a time sheet while the other two Trustees had completed time sheets on file. When the Trustees failed to certify time or provide time and effort documentation, the Board of Trustees did not follow the requirements of Ohio Rev. Code § 505.24(C). During the months in 2013 that the Board of Trustees did not follow the statutory certification or maintain time and effort documentation, Township salaries and fringe benefits were paid from the Motor Vehicle License fund in the amount of \$5,409; Gasoline Tax fund in the amount of \$14,610; and the Road and Bridge Fund in the amount of \$5,028.

The Fiscal Officer posted these adjustments to the Township records and they are reflected in the accompanying financial statements.

The Fiscal Officer should review Auditor of State Bulletins 2013-002 and 2011-007 regarding legislative changes governing township fiscal officer and trustee compensation and what is now required of township trustees and fiscal officers under the new law. Each Township Trustee and Fiscal Officer should complete the required certification when compensated from funds other than the General Fund. Furthermore, the allocation to the General Fund should be a reasonable and rational percentage.

**FINDING NUMBER 2014-002**

**Noncompliance/Material Weakness**

Ohio Rev. Code § 507.09(C) states the township fiscal officer shall be compensated from the Township General Fund or from other Township funds based on the proportion of time the township fiscal officer spends providing services related to each Fund. A township fiscal officer must document the amount of time the township fiscal officer spends providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the Township General Fund or from other Township funds in such proportions as the kinds of services performed.

For 2013, the Fiscal Officer's salary was paid from the General Fund. In 2013, the Fiscal Officer's fringe benefits for the year were paid from the Gasoline Tax Fund in the amount of \$2,831. Furthermore in 2014, a portion of the Fiscal Officer's salary was paid from the Gasoline Tax Fund and the Road and Bridge Fund each month.

**JEFFERSON TOWNSHIP  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
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)**

**Noncompliance/Material Weakness - Ohio Rev. Code § 507.09(C) (Continued)**

However, the Fiscal Officer did not follow the certification requirements of Ohio Rev. Code § 505.24(C), nor did the Fiscal Officer maintain time and effort documentation. For 2014, the Fiscal Officer's salaries and fringe benefits were paid from the Gasoline Tax Fund in the amount of \$2,450 and the Road and Bridge Fund in the amount of \$2,450.

The Fiscal Officer posted these adjustments to the Township records and they are reflected in the accompanying financial statements.

The Fiscal Officer should review Auditor of State Bulletins 2013-002 and 2011-007 and adopt formal administrative procedures regarding completion of the required certifications when compensated from funds other than the General Fund.

**FINDING NUMBER 2014-003**

**Noncompliance**

Ohio Rev. Code § 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 §§ 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from 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 Certificates - Fiscal officers may prepare so-called "blanket" certificates not running beyond 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 one particular line item appropriation. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

**JEFFERSON TOWNSHIP  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-003 (Continued)**

**Noncompliance - Ohio Rev. Code § 5705.41(D)(1) (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 exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

58% of disbursements tested during 2013 and 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 an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

The Board of Trustees should obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2014-004**

**Noncompliance**

Ohio Rev. Code § 5705.40 states, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provisions of law as are used in making the original appropriation. In addition, Ohio courts have held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a township board of trustees would be prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations. See *C.B. Transportation, Inc. v. Butler County Board of Mental Retardation*, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979); *Burkholder v. Lauber*, 6 Ohio Misc. 152, 216 N.E.2d (C.P. 1965).

At December 31, 2013, appropriations as approved by the Board of Trustees did not agree to the Township's accounting system. The variance is as follows:

	Approved	UAN System	Variance
Community Improvement Fund	\$ 226,000	\$ 114,000	\$112,000

**JEFFERSON TOWNSHIP  
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**SCHEDULE OF FINDINGS  
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 2014-004 (Continued)**

**Noncompliance - Ohio Rev. Code § 5705.40 (Continued)**

The Board of Trustees should approve appropriation amendments and file them with the County Auditor when it is determined that original appropriations will need to be amended throughout the year. The Fiscal Officer should only post legislatively approved amendments.

**FINDING NUMBER 2014-005**

**Material Weakness**

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following errors were noted in the financial statements that required audit adjustment or reclassification:

In 2013:

- General Fund general government expenditures increased by \$147 to reconcile the UAN balance at December 31, 2013 to the bank statement;
- General Fund unassigned fund balance of \$45,806 was reclassified as assigned fund balance;
- General Fund general government expenditures of \$17,441 were misposted as Gasoline Tax Fund public works expenditures;
- General Fund general government expenditures of \$5,409 were misposted as Motor Vehicle License Fund public works expenditures;
- General fund general government expenditures of \$5,028 were misposted as Road and Bridge Fund public works expenditures;
- Motor Vehicle License Fund public works expenditures were reduced by \$242 due to a voided check;
- Gasoline Tax Fund beginning fund balance decrease by \$2,121 to agree to the December 31, 2012 audited ending fund balance;
- Road and Bridge Fund beginning fund balance decrease by \$2,000 to agree to the December 31, 2012 audited ending fund balance;
- FEMA Fund beginning fund balance decrease by \$4,141 to agree to the December 31, 2012 audited ending fund balance;
- FEMA Fund transfer out of \$4,141, Gasoline Tax Fund transfer in of \$2,141, and Road and Bridge Fund transfer in of \$2,000 were unrecorded;
- Road and Bridge Fund intergovernmental revenue of \$3,305 was misposted as taxes in the General Fund;
- Road and Bridge Fund intergovernmental revenue of \$2,752 was misposted as taxes in the General Fund;
- Road and Bridge Fund committed fund balance of \$11,919 was misclassified as restricted fund balance;
- Community Improvement Capital Projects Fund intergovernmental revenue of \$151,053, capital outlay expenditures of \$114,000 and beginning fund balance of \$112,377 were misclassified in a Special Revenue Fund.
- The intergovernmental revenue was also misclassified as taxes; and

**JEFFERSON TOWNSHIP  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
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 2014-005 (Continued)**

**Material Weakness (Continued)**

- Community Improvement Capital Projects Fund principal and interest expenditures of \$97,563 and \$6,104, respectively was misposted as capital outlay.

In 2014:

- General Fund intergovernmental revenue of \$31,500 was misposted as other financing sources;
- General Fund miscellaneous revenue of \$4,792 was misposted as other financing sources;
- General Fund other financing sources and general government expenditures were overstated by \$3,218;
- General Fund general government expenditures of \$2,450 were misposted as Gasoline Tax Fund public works expenditures;
- General Fund general government expenditures of \$2,450 were misposted as Road and Bridge Fund public works expenditures;
- General Fund unassigned fund balance of \$58,149 was reclassified as assigned fund balance;
- Road and Bridge Fund intergovernmental revenue of \$2,805 was misposted as intergovernmental revenue in the General Fund;
- Road and Bridge fund intergovernmental revenue of \$2,808 was misposted as General Fund taxes;
- Road and Bridge Fund intergovernmental revenue of \$192 was misposted as intergovernmental revenue in the General Fund;
- Road and Bridge committed fund balance of \$4,378 was misclassified as restricted fund balance;
- Community Improvement Capital Projects Fund intergovernmental revenue of \$156,607, capital outlay expenditures of \$163,730 and beginning fund balance of \$149,430 were misclassified in a Special Revenue Fund. The intergovernmental revenue was also misclassified as taxes; and
- Community Improvement Capital Projects Fund principal and interest expenditures of \$136,694 and \$981 respectively were misposted as capital outlay expenditures.

The audited financial statements and the Township's UAN accounting system have been adjusted for the issues noted above.

The Fiscal Officer should review the Township handbook for guidance on the correct line items to post various receipts and disbursements for the Township to ensure the Township's financial statements are complete and accurate.

**Officials' Response:** We did not receive a response from Officials to the findings reported above.

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# Dave Yost • Auditor of State

**JEFFERSON TOWNSHIP**

**JACKSON 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  
AUGUST 11, 2015**