

JEFFERSON TOWNSHIP
LOGAN COUNTY, OHIO

Audited Financial Statements

For the Years Ended December 31, 2015 and 2014



Dave Yost • Auditor of State

Board of Trustees
Jefferson Township
PO Box 10
Zanesfield, Ohio 43360

We have reviewed the *Independent Auditor's Report* of Jefferson Township, Logan County, prepared by Van Krevel and Company, CPA's, for the audit period January 1, 2014 through December 31, 2015. 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

July 25, 2016

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Jefferson Township
Logan County, Ohio

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INDEPENDENT AUDITOR'S REPORT

Jefferson Township
Logan County, Ohio
P O Box 10
Zanesfield, Ohio 43360

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of cash balances, receipts and disbursements by fund type, and related notes of Jefferson Township, Logan County, Ohio, (the Township), as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with financial reporting provisions that Ohio Revised Code Section 117.38 and Ohio Administrative 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 such 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 opinions.

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 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 described 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, 2015 and 2014, or the 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, Logan County, Ohio, as of December 31, 2015 and 2014, and its combined 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2016, 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.



Dublin, Ohio
June 26, 2016

Jefferson Township
Logan County, Ohio
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Capital Projects	(Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$ 69,139	\$ 119,292		\$ 188,431
Licenses, Permits, and Fees	4,227	6,102		10,329
Intergovernmental Receipts	28,895	92,382	38,732	160,009
Earnings on Investments	21	1,419		1,440
Miscellaneous	-	1,945		1,945
Total Cash Receipts	102,282	221,140	38,732	362,154
Cash Disbursements:				
Current:				
General Government	75,592			75,592
Public Safety	3,286			3,286
Public Works	219	142,004		142,223
Health	27,555	27,124		54,679
Conservation-Recreation	66	13,229		13,295
Intergovernmental		36,671		36,671
Capital Outlay	515	21,372	38,732	60,619
Debt Service:				
Redemption of Principal		11,992		11,992
Interest and Other Fiscal Charges		1,722		1,722
Total Cash Disbursements	107,233	254,114	38,732	400,079
Total Cash Receipts Over/(Under) Cash Disbursements	(4,951)	(32,974)	-	(37,925)
Other Financing Receipts/(Disbursements):				
Other Financing Uses	-			-
Total Other Financing Receipts/(Disbursements)	-	-		-
Net Change in Fund Cash Balances	(4,951)	(32,974)	-	(37,925)
Fund Cash Balances, January 1	76,342	296,391	-	372,733
Fund Cash Balances, December 31	\$ 71,391	\$ 263,417	\$ -	\$ 334,808
Restricted		263,417		263,417
Assigned	72,870			72,870
Unassigned (Deficit)	(1,479)	-	-	(1,479)
Fund Cash Balances, December 31	\$ 71,391	\$ 263,417	\$ -	\$ 334,808

Jefferson Township
 Logan County, Ohio
 Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances (Cash Basis)
 Fiduciary Fund Type
 For the Year Ended December 31, 2015

	Private Purpose Trust	Totals (Memorandum Only)
Fund Cash Balances, January 1	\$ 809	\$ 809
Fund Cash Balances, December 31	\$ 809	\$ 809

Jefferson Township
Logan County, Ohio
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2014

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$ 81,355	\$ 134,665	\$ -	\$ 216,020
Licenses, Permits, and Fees	1,973	3,562		5,535
Intergovernmental Receipts	54,832	97,077	110,493	262,402
Earnings on Investments	19	1,413		1,432
Miscellaneous	1,605	1,805		3,410
Total Cash Receipts	139,784	238,522	110,493	488,799
Cash Disbursements:				
Current:				
General Government	81,859	200		82,059
Public Safety	1,949			1,949
Public Works	800	64,131		64,931
Health	23,525	18,268		41,793
Conservation/Recreation	2,140	12,880		15,020
Intergovernmental		43,721		43,721
Capital Outlay	10,000	92,397	110,493	212,890
Total Cash Disbursements	120,273	231,597	110,493	462,363
Excess of Receipts Over (Under) Disbursements	19,511	6,925	-	26,436
Total Cash Receipts Over/(Under) Cash Disbursements				
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets		11,000		11,000
Debt Proceeds		63,310		63,310
Total Other Financing Receipts/(Disbursements)	-	74,310	-	74,310
Net Change in Fund Cash Balances	19,511	81,235	-	100,746
Fund Cash Balances, January 1	56,831	215,156		271,987
Fund Cash Balances, December 31	\$ 76,342	\$ 296,391	\$ -	\$ 372,733
Restricted	-	296,391		296,391
Assigned	67,429			67,429
Unassigned (Deficit)	8,913			8,913
Fund Cash Balances, December 31	\$ 76,342	\$ 296,391	\$ -	\$ 372,733

Jefferson Township
 Logan County, Ohio
 Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances (Cash Basis)
 Fiduciary Fund Type
 For the Year Ended December 31, 2014

	Private Purpose Trust	Totals (Memorandum Only)
Fund Cash Balances, January 1	\$ 809	\$ 809
Fund Cash Balances, December 31	\$ 809	\$ 809

Jefferson Township
Logan County, Ohio

Notes to the Financial Statements
December 31, 2015 and 2014

NOTE 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, Logan County, (the Township) as a body corporate and politic. The Township is directed by a publicly-elected three-member Board of Trustees. The Township also has an elected Fiscal Officer. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance and park maintenance. The Township is taxing authority for the Dr. Earl Sloan Public Library. This relationship is further discussed in Notes 4 and 8 to the financial statements.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 7 to the financial statements provides additional information for this entity.

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 Federal Home Loan Mortgage Notes at cost.

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
Logan County, Ohio

Notes to the Financial Statements
December 31, 2015 and 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D Fund Accounting (continued)

2 Special Revenue Funds

These funds account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specific 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 monies to pay for constructing, maintaining and repairing Township roads.

Road and Bridge Fund – This fund receives property tax monies to pay for constructing, maintaining and repairing Township roads.

Cemetery Fund – This fund receives property tax monies to pay for maintaining the cemeteries located in the Township.

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 or other capital assets. The Township had the following significant capital project funds.

Public Works Projects – This fund accounts for Issue II money spent on behalf of the Township for maintaining and repairing Township roads.

Miscellaneous Capital Projects – This fund accounts for Logan County Sales Tax money spent on behalf of the Township for repairing and maintaining the Township roads.

4 Fiduciary Funds

Fiduciary funds include private purpose trust funds. Trust funds account for assets held under a trust agreement for individuals, private organizations or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund is for the upkeep of the donors' graves. The original principal is to be maintained to generate interest income.

E Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2015 and 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E Budgetary Process (continued)

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 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. Management included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of the 2015 and 2014 budgetary activity appears in Note 3.

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:

Non Spendable – The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted – A 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.

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.

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 the Township Trustees or a Township official delegated that authority by resolution or by State Statute.

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2015 and 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F Fund Balance (continued)

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.

H Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

NOTE 2 EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2015</u>	<u>2014</u>
Demand Deposits	\$305,430	\$343,355
Federal Home Loan Mortgage Corporate Notes	<u>30,187</u>	<u>30,187</u>
Total Deposits and Investments	<u>\$335,617</u>	<u>\$373,542</u>

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2015 and 2014

NOTE 2 EQUITY IN POOLED CASH AND INVESTMENTS (continued)

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

Investments: The Federal Reserve holds the Township's Federal Home Loan Mortgage Corporate Notes in book entry form in the name of the Township's investment company. The investment company maintains records identifying the Township as owner of these notes.

NOTE 3 BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 103,162	\$ 102,977	\$ (185)
Special Revenue	225,702	220,445	(5,257)
Capital Projects	43,706	38,732	(4,974)
Trust	2	-	(2)
Totals	\$ 372,572	\$ 362,154	\$ (10,418)

2015 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 170,591	\$ 107,233	\$ 63,358
Special Revenue	396,436	254,114	142,322
Capital Projects	43,706	38,732	4,974
Trust	1	-	1
Totals	\$ 610,734	\$ 400,079	\$ 210,655

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2015 and 2014

NOTE 3 BUDGETARY ACTIVITY (continued)

2014 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 133,625	\$ 139,784	\$ 6,159
Special Revenue	211,680	312,832	101,152
Capital Projects	116,830	110,493	(6,337)
Trust	1	-	(1)
Totals	\$ 462,136	\$ 563,109	\$ 100,973

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 162,103	\$ 120,273	\$ 41,830
Special Revenue	324,011	231,597	92,414
Capital Projects	111,030	110,493	537
Trust	-	-	-
Totals	\$ 597,144	\$ 462,363	\$ 134,781

NOTE 4 PROPERTY TAXES

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.

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2015 and 2014

NOTE 4 PROPERTY TAXES (continued)

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

The Township is the taxing authority for the Dr. Earl Sloan Public Library (the Library). As a result, the Township receives property tax and related intergovernmental revenue on behalf of the Library and then distributes it to the Library. The receipt and distribution of this money is included in the Property and Other Local Taxes and Intergovernmental Receipts and Intergovernmental Expenditure line items.

NOTE 5 DEBT

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Note Payable-KS State Bank	\$ 51,318	2.72%

In December of 2014, the Township entered into a promissory note to purchase a Case loader backhoe for Township road maintenance, cemetery work, and other miscellaneous uses. The Township traded in an old back hoe for \$11,000 and applied the trade-in to the purchase of the new equipment. The purchase price of the new backhoe was \$84,310, less the trade in of \$11,000 and a downpayment of \$10,000 leaving the loan amount of \$63,310. The Township is to make annual principal and interest payments starting in 2015 with a maturity date of December 2019. The debt, secured by the equipment purchased, will be paid from multiple funds due to the multiple uses.

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

<u>Year Ending December 31,</u>	<u>Payment</u>
2016	\$13,714
2017	13,714
2018	13,714
2019	<u>13,713</u>
	<u>\$54,855</u>

NOTE 6 RETIREMENT SYSTEM

The Township's officials and employees 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 2015 and 2014, OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equal to 14% of the participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2015 and 2014

NOTE 7 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. (formerly 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 (AEEP) 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, 2015, 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 net position at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	<u>(8,418,518)</u>	<u>(8,912,432)</u>
Net Position	<u>\$28,894,793</u>	<u>\$27,057,831</u>

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 million and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 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, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2015 and 2014

NOTE 7 RISK MANAGEMENT (continued)

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>Year</u>	<u>Contribution</u>
2015	\$4,657
2014	4,110

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.

NOTE 8 – RELATED ORGANIZATION

The Dr. Earl Sloan Public Library (the Library) is a distinct political subdivision of the State of Ohio. The Library is governed by a six member Board of Trustees. The Library possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the Township for operational subsidies. Although the Township does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Fiscal Officer at the Dr. Earl Sloan Public Library, 2817 Sandusky Street, Zanesfield, Ohio 43360.



CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Jefferson Township
Logan County, Ohio
P O Box 10
Zanesfield, Ohio 43360

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 the cash balances, receipts, and disbursements by fund type of Jefferson Township, Logan County, Ohio, (the Township), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 26, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 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. According, 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 a material weakness 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 finding 2015-001 described in the accompanying Schedule of Findings to be a material weakness.

Jefferson Township
Logan County, Ohio
Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance with Other Matters
Required by *Government Auditing Standards*

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 findings 2015-002 and 2015-003 described in the accompanying schedule of findings to be significant deficiencies.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as finding 2015-001 and 2015-002.

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.

Van Keenel & Company

Dublin, Ohio

June 26, 2016

Jefferson Township
Logan County

Schedule of Findings
December 31, 2015 and 2014

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

Finding Number 2015-001

Non Compliance and Material Weakness

Financial Reporting

Ohio Admin Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

The Fiscal Officer posted certain revenue and expenditure transactions incorrectly resulting in material audit adjustments. The following errors were noted in the financial statements that required reclassifications:

In 2015:

Beginning cash fund balances at January 1, 2015 were overstated/(understated) as follows: General Fund, Library Fund, and Private Purpose Trust Funds were overstated by \$1,991, \$2,541, and \$7,962, respectively. Cemetery Fund, Park Fund, and Nonexpendable Trust Fund were understated by \$1,670, \$17, and \$3,734 respectively. The net overstatement of the cash fund balances at January 1, 2015 totaled \$7,073.

Health payments of \$13,778 and \$13,778 were posted to General Government and Public Safety, respectively, in the General Fund.

Public Safety payments of \$1,948 were posted to General Government in the General Fund.

Redemption of Principal of \$11,992 and Interest Charges of \$1,722 were posted to Capital Outlay in the Gas Tax, Road and Bridge, and Cemetery Funds.

Earnings from Investments in the amounts of \$3,375, \$199, and \$1,596 were erroneously recorded in the General Fund, Motor Vehicle License Fund, and Gas Tax Fund, respectively. Other Financing Uses was overstated by \$2,469 in the General Fund and Earnings from Investments was understated by \$1,400 in the Nonexpendable Trust Fund.

In 2014:

Miscellaneous Receipts of \$1,234 were posted to Intergovernmental Receipts in the General Fund.

Earnings from Investments was understated by \$1,400 in the Nonexpendable Trust Fund.

Health payments of \$11,762 and \$11,763 were posted to General Government and Public Safety, respectively, in the General Fund.

Capital Outlay of \$10,000 was posted to Other Financing Uses in the General Fund.

Jefferson Township
Logan County

Schedule of Findings
December 31, 2015 and 2014

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

Finding Number 2015-001 (continued)

In 2014 (continued):

In December 2014, the Township obtained a loan in the amount of \$63,310 for the purchase of a loader backhoe; however, the accounting records and financial statements did not reflect this memo activity of \$9,695, \$9,695, and \$43,920 as Debt Proceeds in the Gas Tax, Road and Bridge, and Cemetery Funds, respectively.

In December 2014, the Township traded in a used backhoe for \$11,000 to be applied to the purchase of the loader backhoe noted herein; however the accounting records and financial statements did not reflect this memo activity of \$1,684, \$1,684 and \$7,631 as Capital Outlay and Sale of Capital Assets in the Gas Tax, Road and Bridge, and Cemetery Funds, respectively.

Government Accounting Standards Board (GASB) Statement No. 54 for Fund Balance Reporting (as discussed in AOS Bulletin 2011-004) defines the fund balance classifications related to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned. This Statement requires that when the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. Stated differently, if appropriations (temporary or annual) exceed estimated receipts (not resources), the excess is to be assigned as if uses existing fund balance at year-end. This would be applicable to the General Fund as it is the only fund with a positive unassigned fund balance.

The Township did not include the excess of appropriations to estimated receipts as an assigned fund balance in the General Fund at December 31, 2015 and 2014. This resulted in an adjustment of \$72,870 and \$67,429 at December 31, 2015 and 2014, respectively, from unassigned to assigned fund balance.

The failure to correctly record revenues and expenditures in the accounting records and financial statements not only impacts the user's understanding of the financial operations, it also inhibits the Township Trustees and management's ability to make sound financial decisions, may impact the Township's ability to comply with budgetary laws, and can result in the material misstatement of the financial statements. The Township's financial records and the accompanying financial statements have been adjusted to correctly reflect the balances and financial activity.

The Township's Fiscal Officer should review the Ohio Township Manual, the UAN Manual, and Auditor of State Bulletins for guidance in the recording of revenues and expenditures. The Township's Fiscal Officer and Trustees should also perform a periodic review of the financial records to help identify revenue and expenditure recording errors.

Official's Response: We did not receive a response from Officials to this finding.

Jefferson Township
Logan County

Schedule of Findings
December 31, 2015 and 2014

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

Finding Number 2015-002

Noncompliance and Significant Deficiency

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. Ohio Revised Code Section 5705.40 allows an entity to amend or supplement appropriations.

During 2015, the fiscal officer entered estimated resources in excess of the amount filed with the budget commission for the Special Revenue Funds.

During 2014, the fiscal officer entered estimated resources that were less than the amount filed with the budget commission for the General Fund.

All local public offices should integrate budgetary amounts at the legal level of control or lower into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

This failure resulted in the following variances:

<u>2015</u>	<u>Budgeted Receipts Per UAN System</u>	<u>Budgeted Receipts Per Final Certificate Of Estimated Resources</u>	<u>Variance</u>
Special Revenue Funds	\$228,974	\$ 225,702	\$ (3,272)
<u>2014</u>			
General Fund	\$ 97,625	\$133,625	\$(36,000)

Inaccurate budgetary information posted to the accounting system could result in management of the Township being unable to effectively monitor and report its budget versus actual status throughout the year. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present budgeted receipts as certified by the County Budget Commission.

We recommend that the Fiscal Officer record estimated receipts directly from the certificate of estimated resources and any amendments thereto. This will ensure useful comparisons of estimated to actual receipts made throughout the year and help indicate when an increased or decreased amended certificate should be obtained.

Officials Response: We did not receive a response from Township officials.

Jefferson Township
Logan County

Schedule of Findings
December 31, 2015 and 2014

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

Finding Number 2015-003

Significant Deficiency

During 2015, the Township did not receive the real estate property tax roll backs from the State of Ohio in the amount of \$23,145.73. Additionally, during 2015, the Township did not receive a local government support payment in the amount of \$541.96 from the Logan County Auditor. These missing deposits were not discovered until the audit. At the date of this report, the Fiscal Officer is working with the State and the Logan County Auditor to obtain payment.

We recommend that the Fiscal Officer prepare a list of monies that are routinely received to be certain all monies due the Township are received in a timely manner.

Officials Response: We did not receive a response from Township officials.

Jefferson Township
Logan County

Schedule of Prior Audit Findings
December 31, 2015 and 2014

<u>Finding</u>	<u>Description</u>	<u>Fully Corrected</u>	<u>Not Corrected; Partially Corrected; Significantly Different; Corrective Action Taken or Finding No Longer Valid; Explain.</u>
2013-001	Financial Reporting	No	Repeated as Finding 2015-001
2013-002	Ohio Rev Code Section 5705.36 (A)	Yes	
2013-003	Amended Certificate of Estimated Resources	No	Repeated as Finding 2015-002

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Dave Yost • Auditor of State

JEFFERSON TOWNSHIP

LOGAN 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 4, 2016**