



**JEFFERSON TOWNSHIP
CLINTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

JEFFERSON TOWNSHIP
CLINTON COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Jefferson Township
Clinton County
101 Jonesboro Road
Midland, Ohio 45148

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Clinton County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Jim Petro
Auditor of State

April 30, 2002

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JEFFERSON TOWNSHIP
CLINTON COUNTY

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Fund</u>	
Cash Receipts:				
Local Taxes	\$8,263	\$34,640	\$0	\$42,903
Intergovernmental	11,961	69,851	0	81,812
Earnings on Investments	3,421	709	488	4,618
Other Revenue	901	5,233	0	6,134
	<u>24,546</u>	<u>110,433</u>	<u>488</u>	<u>135,467</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	40,463	0	0	40,463
Public Safety	0	19,362	0	19,362
Public Works	10,000	61,984	0	71,984
Health	0	3,405	0	3,405
Human Services	8,709	0	0	8,709
Miscellaneous	0	0	1,116	1,116
	<u>59,172</u>	<u>84,751</u>	<u>1,116</u>	<u>145,039</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(34,626)</u>	<u>25,682</u>	<u>(628)</u>	<u>(9,572)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements				
	(34,626)	25,682	(628)	(9,572)
Fund Cash Balances, January 1	<u>103,810</u>	<u>118,284</u>	<u>11,135</u>	<u>233,229</u>
Fund Cash Balances, December 31	<u>\$69,184</u>	<u>\$143,966</u>	<u>\$10,507</u>	<u>\$223,657</u>

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

**JEFFERSON TOWNSHIP
CLINTON COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Fund</u>	
Cash Receipts:				
Local Taxes	\$7,953	\$33,461	\$0	\$41,414
Intergovernmental	15,370	59,025	0	74,395
Earnings on Investments	3,920	969	548	5,437
Other Revenue	594	7,236	0	7,830
	<u>27,837</u>	<u>100,691</u>	<u>548</u>	<u>129,076</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	33,871	0	0	33,871
Public Safety	0	19,633	0	19,633
Public Works	5,800	77,805	0	83,605
Health	2,214	6,742	0	8,956
Miscellaneous	0	0	2,625	2,625
	<u>41,885</u>	<u>104,180</u>	<u>2,625</u>	<u>148,690</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(14,048)</u>	<u>(3,489)</u>	<u>(2,077)</u>	<u>(19,614)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(14,048)	(3,489)	(2,077)	(19,614)
Fund Cash Balances, January 1	<u>117,858</u>	<u>121,773</u>	<u>13,212</u>	<u>252,843</u>
Fund Cash Balances, December 31	<u>\$103,810</u>	<u>\$118,284</u>	<u>\$11,135</u>	<u>\$233,229</u>

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

**JEFFERSON TOWNSHIP
CLINTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Jefferson Township, Clinton County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Clark Township Life Squad to provide ambulance services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

The Township Clerk deposits available funds in a "NOW" checking account and a certificate of deposit account with a local commercial bank. Interest income is distributed to Township funds based upon Ohio statutes. The certificate of deposit is valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund

This fund receives gasoline tax money to construct, maintain and repair Township roads.

**JEFFERSON TOWNSHIP
CLINTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Emergency Levy Fund

This fund receives tax money to provide contracted ambulance services.

3. Fiduciary Fund (Nonexpendable Trust Fund)

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

Cemetery Bequest Fund

Requires the principal to remain intact and interest earned on the principal to be used to maintain a particular cemetery lot.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**JEFFERSON TOWNSHIP
CLINTON COUNTY**

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

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	2001	2000
Demand deposits	\$213,457	\$223,029
Certificates of deposit	10,200	10,200
Total deposits	\$223,657	\$233,229

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

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

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$18,435	\$24,546	\$6,111
Special Revenue	92,029	110,433	18,404
Fiduciary	500	488	(12)
Total	\$110,964	\$135,467	\$24,503

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$58,500	\$59,172	(\$672)
Special Revenue	98,100	84,751	13,349
Fiduciary	1,200	1,116	84
Total	\$157,800	\$145,039	\$12,761

**JEFFERSON TOWNSHIP
CLINTON COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$6,183	\$27,837	\$21,654
Special Revenue	90,244	100,691	10,447
Fiduciary	400	548	148
Total	\$96,827	\$129,076	\$32,249

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,525	\$41,885	\$1,640
Special Revenue	88,900	104,180	(15,280)
Fiduciary	2,800	2,625	175
Total	\$135,225	\$148,690	(\$13,465)

Appropriation resolutions were not approved by the Board of Trustees, but were submitted to the County Auditor.

Budgetary expenditures exceeded appropriation authority in the Gas Fund by \$19,646 for the year ended December 31, 2000.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**JEFFERSON TOWNSHIP
CLINTON COUNTY**

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

5. RETIREMENT SYSTEMS

Elected officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

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

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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

Jefferson Township
Clinton County
101 Jonesboro Road
Midland, Ohio 45148

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Clinton County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 30, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed several instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-40414-001 through 2001-40414-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 30, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely effect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-40414-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 30, 2002.

This report is intended solely for the information and use of the management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

April 30, 2002

**JEFFERSON TOWNSHIP
CLINTON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-40414-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(D), prohibits a subdivision or taxing unit from making any contract or give any order involving the disbursement of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides two exceptions to the above requirement:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free fo any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Thirty percent of the Township's expenditures tested were not properly certified or encumbered prior to incurring the obligation, and neither of the two exceptions listed above were used. Every effort should be made by the Township to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending of Township funds.

FINDING NUMBER 2001-40414-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. Failure to limit expenditures to the amount appropriated could result in expenditure commitments exceeding resources available. At December 31, 2000, expenditures exceeded appropriations in the Gas Fund by the following amount:

Expenditures	Appropriations	Variance
69,546	49,900	(19,646)

FINDING NUMBER 2001-40414-003

Noncompliance Citation

Ohio Revised Code, Section 5705.38, requires each taxing authority to pass an appropriation measure on the first day of each fiscal year. Appropriations were discussed at the organizational meeting each year, but formal approval was not documented in the minutes. The Township's appropriation resolution should be discussed and documented in the minutes each year.

FINDING NUMBER 2001-40414-004

Reportable Condition

The Township did not follow proper budgetary procedures which helps to control receipting and expending of monies and did not have proper budgetary controls in place.

- A. The Township did not use purchase orders properly. Purchase orders are used to ensure that the funds are available and not already "set aside" to be spent and aids in helping to prevent negative fund balances. Purchase orders should be completed before an expenditure is made.
- B. The Township did not approve appropriation resolutions at the organizational meeting each year. Appropriations were discussed at the meetings, but no formal approval was made in the minutes. Appropriations submitted to the County Auditor did not agree to the amounts submitted for audit and posted to the appropriation ledger.
- C. The resolution accepting tax rates was not adopted by the Trustees in the minutes in 2001.
- D. The Township did not always post its official certified budgetary documents to the books. We recommend that these documents be posted to the books in a timely manner. This would help the Township monitor its budgetary activity.
- E. Monthly financial reports are not approved by the Board at each meeting.

Effort should be made for the Township Trustees to become familiar with applicable budgetary laws and to institute procedures to follow. Failure to follow these procedures could result in overspending and negative cash balances.

JEFFERSON TOWNSHIP
CLINTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-40414-001	Finding for Recovery against former Trustee	YES	Money was repaid on April 15, 2000.
1999-40414-002	Availability of Funds Not Certified for Certain Commitments	NO	Finding Reissued as 2001-40414-001.



STATE OF OHIO
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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
JUNE 6, 2002**