JEFFERSON TOWNSHIP
CLINTON COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007-2006

Mary Taylor, CPA
Auditor of State

**JEFFERSON TOWNSHIP**
**CLINTON COUNTY**

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Mary Taylor, CPA
Auditor of State

Jefferson Township
Clinton County
P.O. Box 78
Midland, Ohio 45148

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

August 13, 2008

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Mary Taylor, CPA
Auditor of State

**INDEPENDENT ACCOUNTANTS' REPORT**

Jefferson Township
Clinton County
P.O. Box 78
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, 2007 and 2006. 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.

Except as described in the following paragraph, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

The Township did not provide sufficient documentation supporting the Miscellaneous receipts as recorded in the Special Revenue Fund. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts recorded as miscellaneous revenues for the Special Revenue Fund, or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. Miscellaneous receipts represent 5% of receipts recorded in the Special Revenue Fund for the year ended December 31, 2007 and 6% of receipts recorded in the Special Revenue Fund for the year ended December 31, 2006.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, except for the effects of adjustments, if any, as might have been determined to be necessary had we been able to examine documentation supporting Special Revenue Fund Miscellaneous receipts, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Jefferson Township, Clinton County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

August 13, 2008

**JEFFERSON TOWNSHIP**
**CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2007**

| | Governmental Fund Types | | Fiduciary | |
|---|---|---|---|---|
| | General | Special Revenue | Fiduciary | Totals (Memorandum Only) |
| **Cash Receipts:** | | | | |
| Property and Other Local Taxes | $10,319 | $39,910 | $0 | $50,229 |
| Intergovernmental | 12,599 | 105,210 | 0 | 117,809 |
| Earnings on Investments | 1,563 | 859 | 383 | 2,805 |
| Miscellaneous | 0 | 7,658 | 0 | 7,658 |
| Total Cash Receipts | 24,481 | 153,637 | 383 | 178,501 |
| **Cash Disbursements:** | | | | |
| Current: | | | | |
| General Government | 26,055 | 0 | 0 | 26,055 |
| Public Safety | 0 | 7,788 | 0 | 7,788 |
| Public Works | 0 | 98,672 | 0 | 98,672 |
| Health | 3,410 | 6,887 | 0 | 10,297 |
| Conservation - Recreation | 1,345 | 0 | 0 | 1,345 |
| Capital Outlay | 0 | 15,000 | 0 | 15,000 |
| Total Cash Disbursements | 30,810 | 128,347 | 0 | 159,157 |
| Total Receipts Over/(Under) Disbursements | (6,329) | 25,290 | 383 | 19,344 |
| Fund Cash Balances, January 1 | 29,441 | 329,939 | 12,411 | 371,791 |
| **Fund Cash Balances, December 31** | **$23,112** | **$355,229** | **$12,794** | **$391,135** |

*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 AND FIDUCIARY FUND TYPES**
**FOR THE YEAR ENDED DECEMBER 31, 2006**

| | Governmental Fund Types | | Fiduciary | |
|---|---|---|---|---|
| | **General** | **Special Revenue** | **Fiduciary** | **Totals (Memorandum Only)** |
| **Cash Receipts:** | | | | |
| Property and Other Local Taxes | $10,300 | $39,769 | $0 | $50,069 |
| Integovernmental | 13,623 | 93,174 | 0 | 106,797 |
| Earnings on Investments | 1,434 | 937 | 252 | 2,623 |
| Miscellaneous | 218 | 8,693 | 0 | 8,911 |
| Total Cash Receipts | 25,575 | 142,573 | 252 | 168,400 |
| **Cash Disbursements:** | | | | |
| Current: | | | | |
| General Government | 44,615 | 0 | 0 | 44,615 |
| Public Safety | 0 | 22,349 | 0 | 22,349 |
| Public Works | 0 | 65,415 | 0 | 65,415 |
| Health | 1,310 | 9,800 | 0 | 11,110 |
| Conservation - Recreation | 2,725 | 0 | 0 | 2,725 |
| Total Cash Disbursements | 48,650 | 97,564 | 0 | 146,214 |
| Total Receipts Over/(Under) Disbursements | (23,075) | 45,009 | 252 | 22,186 |
| Fund Cash Balances, January 1 | 52,516 | 284,930 | 12,159 | 349,605 |
| **Fund Cash Balances, December 31** | **$29,441** | **$329,939** | **$12,411** | **$371,791** |

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

## 1. Summary of Significant Accounting Policies

### A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Jefferson Township, Clinton County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Clinton South Joint Fire District to provide fire services and the Village of Blanchester, to provide ambulance services.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Auditor of State prescribes or permits.

### C. Cash and Investments

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

The Township values certificates of deposit at cost.

### D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

#### 1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

#### 2. Special Revenue Funds

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

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

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

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

Emergency Levy Fund - This fund tax money to provide contracted ambulance services.

### 3. Fiduciary Fund

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Cemetery Bequest Fund - This fund requires the principal to remain intake and interest earned on the principal to be used to maintain a particular cemetery.

### E. Budgetary Process

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

#### 1. Appropriations

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

#### 2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

#### 3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

### F. 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 Cash and Investments

The Township maintains a cash and investments 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:

| | 2006 | 2007 |
|---|---|---|
| Demand deposits | $361,591 | $380,935 |
| Certificates of deposit | 10,200 | 10,200 |
| Total deposits | 371,791 | 391,135 |

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

## 3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|---|---|---|---|
| General | $25,000 | $24,481 | ($519) |
| Special Revenue | 134,100 | 153,637 | 19,537 |
| Fiduciary | 240 | 383 | 143 |
| Total | $159,340 | $178,501 | $19,161 |

2007 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|---|---|---|---|
| General | $56,950 | $30,810 | $26,140 |
| Special Revenue | 305,500 | 128,347 | 177,153 |
| Fiduciary | 2,000 | 0 | 2,000 |
| Total | $364,450 | $159,157 | $205,293 |

2006 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|---|---|---|---|
| General | $29,600 | $25,575 | ($4,025) |
| Special Revenue | 107,600 | 142,573 | 34,973 |
| Fiduciary | 240 | 252 | 12 |
| Total | $137,440 | $168,400 | $30,960 |

## 3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|---|---|---|---|
| General | $54,325 | $48,650 | $5,675 |
| Special Revenue | 202,600 | 97,564 | 105,036 |
| Fiduciary | 1,200 | 0 | 1,200 |
| Total | $258,125 | $146,214 | $111,911 |

## 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.

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.

## 5. Retirement Systems

The Township's officials 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 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

## 6. Risk Management

### Commercial Insurance

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.

## 6. Risk Management (Continued)

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to $250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding $250,000, up to $1,750,000 per claim and $10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to $350,000 per occurrence, including loss adjustment expenses. Claims exceeding $350,000 are reinsured with APEEP in an amount not to exceed $2,650,000 for each claim and $10,000,000 in the aggregate per year. Governments can elect up to $10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to $5,000,000 per year, subject to a per-claim limit of $2,000,000 (prior to January 1, 2006) or $3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to $100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding $100,000 up to $500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding $250,000 up to $600 million per occurrence. This amount increased to $300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding $100,000 up to $300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between $100,000 and $250,000 in 2006, or $100,000 and $300,000 in 2007, Travelers will reinsure specific losses exceeding $100,000 up to their $600 million per occurrence limit. The aggregate stop-loss limit for 2007 was $2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006:

## 6. Risk Management (Continued)

| | 2007 | 2006 |
|---|---|---|
| Assets | $43,210,703 | $42,042,275 |
| Liabilities | (13,357,837) | (12,120,661) |
| Net Assets | $29,852,866 | $29,921,614 |

At December 31, 2007 and 2006, respectively, liabilities above include approximately $12.5 million and $11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately $11.6 million and $10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately $2,500. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

| **Contributions to OTARMA** | |
|---|---|
| 2005 | $3,119 |
| 2006 | $3,126 |
| 2007 | $2,651 |

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

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

Jefferson Township
Clinton County
P.O. Box 78
Midland, Ohio 45148

To the Township Board of Trustees:

We have audited the financial statements of Jefferson Township, Clinton County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 13, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We qualified our report on the miscellaneous revenues line item for a lack of supporting documentation for miscellaneous receipts as recorded in the Special Revenue Fund. Except as discussed in the preceding sentence, 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, of the significant deficiency described above, we believe finding number 2007-002 is also a material weakness.

We noted certain matters that we reported to the Township's management in a separate letter dated August 13, 2008.

**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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated August 13, 2008.

We intend this report solely for the information and use of the management and Township Board of Trustees. We intend it for no one other than these specified parties.

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

August 13, 2008

**SCHEDULE OF FINDINGS**
**DECEMBER 31, 2007 AND 2006**

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

### FINDING NUMBER 2007-001

**Noncompliance Citation**

**Ohio Rev. Code, Section 505.24(C),** sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036.This section requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. There is no one method for documenting time and the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds. The Township was notified of the requirements of Ohio Revised Code Section 505.24(C) in their management letter dated September 11, 2006.

In 2006, the Township Trustees did not prepare documentation for how they spent their time. However, 92% of their salaries were allocated to the Gas Tax Fund. It is necessary for Township Trustees to document their time in order to substantiate that salaries and insurance benefits were allocated to the proper funds. An adjustment to the financial statements was necessary for the allocation of Trustees' salaries. In 2006, the result was that General Fund total expenditures increased by $17,637 and Gas Tax expenditures decreased by $17,637.

In 2007, the Township Trustees documented their time spent on various Township tasks. However, the Trustees salaries were not paid in accordance with documentation provided. Instead the Trustee's salaries were paid solely from the Gas Tax Fund as approved in the minutes by the Township Trustees. The Attorney General opinion stated above indicates that the salaries are allocated based on documentation the Trustees submit. Adjustments to the Township ledgers and financial statements were necessary for the allocation of Trustees' salaries. In 2007, the result was that General Fund total expenditures increased by $6,972, EMS/Fire Fund expenditures increased by $2,189 and Gas Tax expenditures decreased by $9,161.

The cumulative effect of both years at December 31, 2007 was a $24,609 decrease in the General Fund balance, a $2,189 decrease in the EMS/Fire Fund balance and a $26,798 increase in the Gas Tax Fund balance.

We recommend the Township adopt formal administrative procedures regarding documenting the time spent by Township Trustee's on various duties. Once these administrative procedures are established trustee salaries and related benefits should be charged to the applicable funds in accordance with the timesheets or other similar method of record keeping.

**Officials' Response:**

We did not receive a response from the Officials to this finding.

**FINDING NUMBER 2007-002**

**Material Weakness – Cemetery Receipts**

Ohio Admin. Code Section 117-2-01(A) states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public office.

Ohio Admin. Code Section 117-2-01(D) explains, in part, that when designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that records are properly designed and maintained.
- Ensure adequate security of records.
- Plan for adequate segregation of duties or compensating controls.
- Verify the existence and valuation of receipts and periodically reconcile them to the accounting records.

Internal controls over the Township's collection of cemetery related revenues and the related record keeping was inaccurate and incomplete. Cemetery related receipts accounted for 92% of the Special Revenue miscellaneous revenues line item for the year ended December 31, 2007 and 97% for the year ended December 31, 2006.

Very few internal controls and a lack of record keeping were noted to be in the Township's collection of cemetery related revenues. The Township did not present any records related to cemetery lot sales. Additionally, the Township did not use duplicate receipts or other methods to record lot sales and grave openings. Accordingly, we were unable to achieve completeness over cemetery receipts. Cemetery related receipts accounted for 92% of the Special Revenue miscellaneous revenues line item for the year ended December 31, 2007 and 97% for the year ended December 31, 2006.

Lack of controls and poor recordkeeping increases the risk that theft, fraud or errors could occur and not be detected in a timely manner. Therefore, having no source documentation for collections and not maintaining adequate records of cemetery receipts prohibits the assurance of completeness. With no documentation regarding from whom monies have been collected and from whom monies might still be owed to the Township, valuation and/or allocation is unable to be determined. The financial statements presentation and disclosure of the Miscellaneous line item in the Special Revenue Fund includes a revenue unable to be identified, which resulted in a qualified audit opinion.

We recommend the Township keep proper and complete records as cemetery lots are sold and use duplicate receipt books and institute policies including proper supervision.

**Officials' Response:**

We did not receive a response from the Officials to this finding.

**JEFFERSON TOWNSHIP**
**CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS**
**DECEMBER 31, 2005-2004**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain*** |
|---|---|---|---|
| 2005-001 | ORC 5705.41 D. The availability of funds was not certified for certain commitments. | no | Repeat in Management Letter |

Mary Taylor, CPA
Auditor of State

**JEFFERSON TOWNSHIP**

**CLINTON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**SEPTEMBER 9, 2008**

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