



Mary Taylor, CPA
Auditor of State

JEFFERSON TOWNSHIP
CLINTON COUNTY

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Mary Taylor, CPA
Auditor of State

Jefferson Township
Clinton County
102 W. State Route 28
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

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Auditor of State

May 20, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Jefferson Township
Clinton County
102 W. State Route 28
Midland, Oh. 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, 2009 and 2008. 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 fourth 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 paid the fiscal officer's insurance premiums from the Gas Tax Fund instead of the General Fund during 2008 and 2009. The amount of funds that were illegally expended from the Gas Tax Fund accounted for 5% of the Gas Tax Fund balance and 52% of the General Fund balance during 2008 and 4% of the Gas Tax Fund balance and 45% of the General Fund balance during 2009. The Township has not agreed to these adjustments and did not post to the financial statements or accounting records.

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 assurances over completeness of the Special Revenue Fund nor were we able to satisfy ourselves through other auditing procedures. Miscellaneous receipts represent 16% of receipts recorded in the Special Revenue Fund for the year ended December 31, 2009 and 10% of receipts recorded in the Special Revenue Fund for the year ended December 31, 2008.

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.

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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, except for the matter in the third paragraph above for the fiscal officer's insurance as well as adjustments, if any, as might have been determined to be necessary had we been able to Special Revenue Fund Miscellaneous Receipts, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Jefferson Township, Clinton County, as of December 31, 2009 and 2008, 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 May 20, 2010, 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, CPA
Auditor of State

May 20, 2010

**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, 2009**

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$10,643	\$98,057	\$0	\$108,700
Intergovernmental	15,199	108,287		123,486
Earnings on Investments	391	280	410	1,081
Miscellaneous	8,007	39,054		47,061
	<u>34,240</u>	<u>245,678</u>	<u>410</u>	<u>280,328</u>
Cash Disbursements:				
Current:				
General Government	29,686			29,686
Public Safety		72,761		72,761
Public Works		99,010		99,010
Health	1,611	9,420		11,031
Conservation - Recreation	1,613			1,613
Capital Outlay		16,336		16,336
Debt Service:				
Redemption of Principal		12,019		12,019
Interest and Other Fiscal Charges		6,354		6,354
	<u>32,910</u>	<u>215,900</u>	<u>0</u>	<u>248,810</u>
Total Receipts Over/Under Disbursements	<u>1,330</u>	<u>29,778</u>	<u>410</u>	<u>31,518</u>
Fund Cash Balances, January 1	<u>24,358</u>	<u>275,369</u>	<u>10,905</u>	<u>310,632</u>
Fund Cash Balances, December 31	<u>\$25,688</u>	<u>\$305,147</u>	<u>\$11,315</u>	<u>\$342,150</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, 2008**

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$9,588	\$37,092	\$0	\$46,680
Intergovernmental	19,578	102,318		121,896
Earnings on Investments	1,341	816	411	2,569
Miscellaneous	61,222	14,059		75,281
Total Cash Receipts	<u>91,729</u>	<u>154,285</u>	<u>411</u>	<u>246,425</u>
Cash Disbursements:				
Current:				
General Government	88,165			88,165
Public Safety		77,303		77,303
Public Works		156,842		156,842
Health	1,304			1,304
Purchased Services			2,300	2,300
Conservation - Recreation	1,014			1,014
Total Cash Disbursements	<u>90,483</u>	<u>234,145</u>	<u>2,300</u>	<u>326,928</u>
Total Receipts Over/(Under) Disbursements	<u>1,246</u>	<u>(79,860)</u>	<u>(1,889)</u>	<u>(80,503)</u>
Fund Cash Balances, January 1	<u>23,112</u>	<u>355,229</u>	<u>12,794</u>	<u>391,135</u>
Fund Cash Balances, December 31	<u><u>\$24,358</u></u>	<u><u>\$275,369</u></u>	<u><u>\$10,905</u></u>	<u><u>\$310,632</u></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, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Jefferson Township, 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 Blanchester Community Services to provide to provide ambulance services.

On June 2, 2008, Resolution No. 06-02-08 B, was passed by the Village of Midland to terminate the agreement with the Clinton South Joint Fire District (the District). On February 1, 2009, the District ceased to operate as a separate political entity due to the withdrawal of the Village of Midland pursuant to their June 2, 2008, Resolution No. 06-02-08B. An agreement between Jefferson Township and the Village of Midland stated that all tax proceeds of the District collected in 2009 will be distributed to Jefferson Township. Ohio Rev. Code Section 505.71, states that upon the dissolution of any joint ambulance district, the county auditor ascertains, apportions, and orders a division of the funds on hand. At dissolution all inventory, equipment, and vehicles were transferred to Jefferson Township. The District's building was owned by the Village of Midland; however, Jefferson Township has an agreement with the Village of Midland to house the fire departments vehicles and equipment. On March 2, 2009, the District transferred the General Fund balance of \$4,383 to Jefferson Township.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 to the financial statements provides additional information for these entities. This organization is:

Public Entity Risk Pool:

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool, which is available to Ohio townships. OTARMA provides property and casualty coverage for its members.

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.

**JEFFERSON TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Deposits and Investments

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

The Township values certificates of deposit at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash 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:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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.

Fire Levy Fund - This fund receives proceeds from the property tax fire levy for providing fire protection to the Township's residents.

3. Permanent 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 intact 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.

**JEFFERSON TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (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. 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 2009 and 2008 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 Deposits

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

	2009	2008
Demand deposits	\$331,950	\$300,432
Certificates of deposit	10,200	10,200
Total deposits	\$342,150	\$310,632

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

**JEFFERSON TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$25,000	\$34,240	\$9,240
Special Revenue	231,100	245,678	14,578
Fiduciary	400	410	10
Total	\$256,500	\$280,328	\$23,828

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$49,600	\$32,910	\$16,690
Special Revenue	332,500	215,900	116,600
Fiduciary	1,000	0	1,000
Total	\$383,100	\$248,810	\$134,290

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,000	\$91,729	\$67,729
Special Revenue	134,600	154,285	19,685
Fiduciary	300	411	111
Total	\$158,900	\$246,425	\$87,525

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$92,200	\$90,484	\$1,716
Special Revenue	347,000	234,144	112,856
Fiduciary	2,500	2,300	200
Total	\$441,700	\$326,928	\$114,772

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.

**JEFFERSON TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax (Continued)

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. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Tank and Fire Truck Note	\$59,168	8.50%
Fire Truck Note	11,590	7%
Total	\$70,758	

On September 13, 2006, the former Clinton South Joint Fire District entered into a loan with the National Bank and Trust for the purchase of a fire truck. The District also had entered into a loan during 2004 for the purchase of a new tanker truck. These two loans were combined on September 13, 2006 and a new note was issued for the debt. The Township assumed this debt from the Clinton South Joint Fire District. The Township's taxing authority collateralizes the note.

During 2008, the former Clinton South Joint Fire District entered into a loan with National Bank and Trust for the purchase of another fire truck. The Township assumed this debt from the Clinton South Joint Fire District and the Township's taxing authority collateralizes the note.

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

	Tank and Fire Truck Note	Fire Truck Note
Year ending December 31:		
2010	\$15,186	\$4,374
2011	15,186	4,374
2012	15,186	4,374
2013	15,186	
2014	15,186	
Total	\$75,930	\$13,122

6. Retirement Systems

The Township's 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 2008 and 2009, OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

**JEFFERSON TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 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.

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, 2008 and 2007 (the latest information available),

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

**JEFFERSON TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Management (Continued)

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, 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 \$6,760.

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	
2008	\$2,747
2009	\$7,861

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide 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.

8. Compliance

Miscellaneous receipts were not properly maintained as required by 117-2-01(A)(D).

The fiscal officer did not maintain records in accordance with Ohio Rev. Code 507.05.

Insurance premiums were incorrectly paid from the Gas Tax Fund instead of the General Fund contrary to Ohio Rev. Code Section 505.60.

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Mary Taylor, CPA

Auditor of State

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

Jefferson Township
Clinton County
102 W. State Route 28
Midland, Oh. 45148

To the Township Board of Trustees:

We have audited the financial statements of the Jefferson Township, Clinton County, Ohio (the Township), as of and for the year ended December 31, 2009 and 2008, and have issued our report thereon dated May 20, 2010, 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 opinion due to fiscal officer's insurance premiums adjustments the Village did not agree to or post to the financial statements or accounting records. We also qualified our report due to a lack of supporting documentation for Special Revenue Fund miscellaneous receipts. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weakness.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-003 described in the accompanying schedule of findings to be material weaknesses.

Material Noncompliance

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 20, 2010.

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



Mary Taylor, CPA
Auditor of State

May 20, 2010

**JEFFERSON TOWNSHIP
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

NonCompliance/Material Weakness – Miscellaneous Receipts, Special Revenue Fund

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 miscellaneous receipts for the Special Revenue Fund were not in place and operating effectively.

The Township did not present any records for miscellaneous receipts in the Special Revenue Fund. For cemetery receipts, the Township did not use duplicate receipts or other methods to record lot sales and grave openings. Accordingly, we were unable to obtain assurances for completeness over miscellaneous receipts.

Miscellaneous Receipts, which include cemetery related revenues, accounted for 16% of the Special Revenue receipts for the year ended December 31, 2009 and 10% for the year ended December 31, 2008.

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 Miscellaneous Receipts, including 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.

We recommend the Township keep accurate and complete records of Miscellaneous Receipts, including cemetery lots that are sold and use duplicate receipt books, as well as, institute policies including proper supervision.

FINDING NUMBER 2009-002

Finding For Recovery - Noncompliance

Ohio Rev. Code, Section 505.60(A), provides that the board of township trustees of any township may procure and pay all or any part of the cost of insurance policies for township officers and employees. If the board procures any insurance policies under this section, the board shall provide uniform coverage under these policies for township officers and full-time township employees and their immediate dependents.

The Township paid health insurance premiums for the Fiscal Officer, Darrell Taylor, and his dependent. In April of 2009, Mr. Taylor was divorced from his spouse but the Township continued to pay the portion of health insurance for Mr. Taylor's ex-spouse. As a result, the Township paid three months of premiums for an ineligible dependent contrary to Ohio Rev. Code Section 505.60 in the amount of \$1,651.

In accordance with the foregoing acts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Mr. Darrell Taylor, and his bonding company, the Travelers Casualty and Surety Company, jointly and severally, in the amount of \$1,651 in favor of the Jefferson Township's General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Additionally, because the Township Trustees approved payment of the insurance premiums: Township Trustees Joe Panetta, Brian Stroud and Dale Cochran, and their bonding company, the Ohio Township Association Risk Management Authority, are jointly and severally liable, in the amount of \$1,651 and in favor of the Jefferson Township's General Fund to the extent that recovery is not obtained from Darrell Taylor.

FINDING NUMBER 2009-003

Noncompliance/Material Weakness - Finding for Adjustment

Ohio Rev. Code, Section 507.04, states in part that the township clerk shall keep an accurate record of all its meetings, and all its accounts and transactions.

The following conditions were noted:

During 2009 and 2008, the fiscal officer voided checks and recorded these checks as miscellaneous receipts. This caused the receipts and disbursements to be overstated each year;

Several transactions that were recorded in the cash journal were not recorded in the appropriation ledger or were recorded incorrectly;

The officials' were underpaid during 2007 and subsequently compensated during 2008. The additional salary was not included on their W-2's nor was any withholdings withheld from their compensation in 2008;

The Township posted the principal payment of \$12,019 and interest payment of \$6,354 for the fire trucks and tanker to the Capital Outlay line item instead of the Principal and Interest line item in the Fire Levy Fund. This was reclassified to properly account for the fund's activity;

The Township paid the fiscal officer's insurance premiums entirely from the Gas Tax Fund instead of the General Fund which is the fund from which his compensation is paid.

In accordance with the foregoing facts, we hereby issue a Finding for Adjustment against the Township's General Fund and in favor of the Township's Gas Tax Fund for funds illegally expended. The following table reflects the net effect of the finding for adjustment.

	General Fund	Gas Tax Fund
Audit Adjustment – 2008	(\$12,678)	\$12,678
Audit Adjustment – 2009	(11,571)	11,571
Total Adjustment	<u>(\$24,249)</u>	<u>\$24,249</u>

The Township has not agreed to these adjustments nor posted these adjustments to their financial statements or accounting records.

We recommend the Township pay the fiscal officer's insurance premium from the funds from which the fiscal officer's compensation is paid. Also, we recommend that the Fiscal Officer maintain accurate and complete accounting records and that the Board of Trustees review bank reconciliations and financial reports.

We did not receive a response from officials to the findings above.

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**JEFFERSON TOWNSHIP
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2007-001	Ohio Rev. Code Section 505.24(C) , the trustees salaries were paid entirely from the Gas Tax Fund during 2007 and the Gas Tax and EMS Fund during 2006.	No	Reissued in the management letter.
Finding 2007-002	Ohio Admin. Code Section 117-2-01(A)(D) – lack of controls over cemetery receipts.	No	Reissued as Finding 2009-001



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
JULY 1, 2010**