

Jefferson Township

Fayette County

January 1, 2008 through December 31, 2009

Years Audited Under GAGAS: 2008 and 2009

**CAUDILL & ASSOCIATES, CPA'S**

725 5<sup>TH</sup> Street

Portsmouth, OH 45662





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Jefferson Township  
14338 State Route 729 NW  
Jeffersonville, Ohio 43128

We have reviewed the *Independent Auditor's Report* of Jefferson Township, Fayette County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Jefferson Township is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 23, 2010

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**Jefferson Township**  
**Fayette County**  
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*For the Years Ended December 31, 2009 and 2008*

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### Independent Auditor's Report

Jefferson Township  
Fayette County  
14338 State Route 729 N.W.  
Jeffersonville, Ohio 43128

To the Township Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Fayette County, (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.

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.

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, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Jefferson Township, Fayette 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.

Jefferson Township  
Fayette County  
Independent Auditor's Report

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 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.

*Caudill & Associates, CPAs*

Caudill & Associates, CPA's  
June 25, 2010

**Jefferson Township**  
**Fayette 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, 2009

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Private Purpose Trust	
Cash Receipts:					
Property and Local Taxes	\$ 28,229	\$ 198,284	\$ -	\$ -	\$ 226,513
Charges for Services	-	4,325	-	-	4,325
Fines, Licenses and Permits	-	8,979	-	-	8,979
Intergovernmental	43,643	172,986	-	-	216,629
Earnings on Investments	630	1,098	-	2	1,730
Miscellaneous	1,402	150,899	-	-	152,301
<b>Total Cash Receipts</b>	<b>73,904</b>	<b>536,571</b>	<b>-</b>	<b>2</b>	<b>610,477</b>
Cash Disbursements:					
Current:					
General Government	78,525	10,370	-	-	88,895
Public Safety	-	80,591	-	-	80,591
Public Works	1,050	121,940	-	-	122,990
Health	21,779	1,889	-	-	23,668
Conservation/Recreation	1,500	-	-	-	1,500
Capital Outlay	919	179,064	-	-	179,983
Debt Service:					
Redemption of Principal	-	4,571	22,094	-	26,665
Interest and Fiscal Charges	-	-	966	-	966
<b>Total Cash Disbursements</b>	<b>103,773</b>	<b>398,425</b>	<b>23,060</b>	<b>-</b>	<b>525,258</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(29,869)</b>	<b>138,146</b>	<b>(23,060)</b>	<b>2</b>	<b>85,219</b>
Fund Cash Balances, January 1	114,650	683,850	23,060	1,860	823,420
Fund Cash Balances, December 31	\$ 84,781	\$ 821,996	\$ -	\$ 1,862	\$ 908,639

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



**Jefferson Township**  
**Fayette 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, 2008

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Private Purpose Trust</u>	
Cash Receipts:					
Property and Local Taxes	\$ 29,879	\$ 202,577	\$ 18,500	\$ -	\$ 250,956
Charges for Services	-	1,450	-	-	1,450
Fines, Licenses and Permits	-	10,458	-	-	10,458
Intergovernmental	74,267	150,721	-	-	224,988
Earnings on Investments	444	729	-	22	1,195
Miscellaneous	121	11,871	-	-	11,992
<b>Total Cash Receipts</b>	<b>104,711</b>	<b>377,806</b>	<b>18,500</b>	<b>22</b>	<b>501,039</b>
Cash Disbursements:					
Current:					
General Government	94,407	10,288	-	-	104,695
Public Safety	-	66,996	-	-	66,996
Public Works	1,089	145,828	-	-	146,917
Health	22,287	1,102	-	-	23,389
Conservation/Recreation	1,500	-	-	-	1,500
Capital Outlay	-	10,096	-	-	10,096
Debt Service:					
Redemption of Principal	-	-	55,155	-	55,155
Interest and Fiscal Charges	-	-	3,360	-	3,360
<b>Total Cash Disbursements</b>	<b>119,283</b>	<b>234,310</b>	<b>58,515</b>	<b>-</b>	<b>412,108</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(14,572)</b>	<b>143,496</b>	<b>(40,015)</b>	<b>22</b>	<b>88,931</b>
Fund Cash Balances, January 1	129,222	540,354	63,075	1,838	734,489
Fund Cash Balances, December 31	<u>\$ 114,650</u>	<u>\$ 683,850</u>	<u>\$ 23,060</u>	<u>\$ 1,860</u>	<u>\$ 823,420</u>

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

**Jefferson Township**  
**Fayette County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2009 and 2008*

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**Note 1 – Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Jefferson Township, Fayette County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees governs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with Fayette County EMS to provide ambulance services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. 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 adequately disclose material matters, as the Auditor of State prescribes or permits.

**C. Cash Deposits**

The Township invests all available funds, except the Private Purpose Trust Fund, in a public fund NOW checking account with a local commercial bank. The Private Purpose Trust Fund's assets are deposited in a savings account and invested in a U.S. savings bond. Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. The U.S. savings bond is recorded 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 of 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:

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

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

*Fire District Fund* - This fund receives property tax money to pay for costs related to providing fire protection services.

**3. Debt Service Fund**

This fund accounts for resources the Township accumulates to pay bond and note debt.

**4. Fiduciary Funds**

This fund accounts for resources restricted by legally binding trust agreements. The Cemetery Trust Fund is used to account for the funds held in trust for specific uses in the cemetery. Only the interest earnings can be expended on select individuals.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) 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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are cancelled, and reappropriated in the subsequent year.

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.

**Jefferson Township**  
**Fayette County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2009 and 2008*

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**Note 2 – Equity in Pooled Cash and Investments**

The Township maintains a cash and investment pool that 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:

	2009	2008
Demand Deposits	\$908,139	\$822,920
U.S. Saving Bonds	500	500
Demand Deposits	\$908,639	\$823,420

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

**Investments:** U.S. Savings Bonds are guaranteed by the Federal government.

**Note 3 – Budgetary Activity**

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

2009 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$65,798	\$73,904	\$8,106
Special Revenue	422,566	536,571	114,005
Private Purpose Trust	0	2	2
Total	\$488,364	\$610,477	\$122,113

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$180,448	\$103,773	\$76,675
Special Revenue	1,106,418	398,425	707,993
Debt Service	23,060	23,060	0
Private Purpose Trust	332	0	332
Total	\$1,310,258	\$525,258	\$785,000

2008 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$99,160	\$104,711	\$5,551
Special Revenue	303,538	377,806	74,268
Debt Service	0	18,500	18,500
Private Purpose Trust	0	22	22
Total	\$402,698	\$501,039	\$98,341

**Jefferson Township**  
**Fayette County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2009 and 2008*

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**Note 3 – Budgetary Activity (Continued)**

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$228,381	\$119,283	\$109,098
Special Revenue	843,893	234,310	609,583
Debt Service	63,075	58,515	4,560
Private Purpose Trust	312	0	312
Total	\$1,135,661	\$412,108	\$723,553

**Note 4 - Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

**Note 5 - Debt**

The Township had a building note which was issued in 1999 for a period of nine years to finance the construction of a new building to house fire equipment. The Township also had a dump truck bond was issued in 2004 for a period of five years to finance the purchase of a dump truck and related equipment. The note and bond were collateralized solely by the Township’s taxing authority. The final payments for both of these debt issuances were made during the audit period.

In August 2009, the Township entered into a lease for the purchase of a new pumper truck. The lease was issued in the amount of \$335,000. Payments of \$42,786 are due on January 31 of each year with a final maturity date of January 31, 2019. The pumper truck serves as collateral on the lease.

**Jefferson Township**  
**Fayette County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2009 and 2008*

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**Note 5 – Debt (Continued)**

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

Year Ending December 31:	Pumper Truck Lease
2010	\$42,786
2011	42,786
2012	42,786
2013	42,786
2014	42,786
2015-2019	213,933
Total	<u>\$427,863</u>

**Note 6 – Retirement Systems**

The Township’s officials and full-time 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 retirement benefits, which include post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, 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.

**Note 7 – Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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. APEEP provides supplemental risk coverage for claims exceeding OTARMA claims coverage.

*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 OTARMA Pool retains casualty risk up to \$350,000 per occurrence. 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 APEEP’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).

**Jefferson Township**  
**Fayette County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2009 and 2008*

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**Note 7 – Risk Management (Continued)**

*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 net assets at December 31, 2008 and 2007 (the latest information available):

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

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 million and \$12.5 million of estimated incurred claims payable. The assets and net assets above also include approximately \$10.9 million 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. 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	
2009	\$12,494
2008	11,614
2007	11,422

**Jefferson Township**  
**Fayette County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2009 and 2008*

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**Note 7 – Risk Management (Continued)**

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.

**Note 8 – Compliance**

The Township did not competitively bid a road repair and maintenance contract awarded in 2008 which is contrary to Ohio Revised Code Section 5575.01.

**Note 9 – Miscellaneous Receipts**

In 2009, the Township received insurance proceeds for damage to a fire truck from an accident and to computer equipment from a lightning strike. Insurance proceeds approximated \$137,000 and was recorded as miscellaneous receipts.





## Caudill & Associates, CPA's

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Jefferson Township  
Fayette County  
14338 State Route 729 N.W.  
Jeffersonville, Ohio 43128

To the Township Board of Trustees:

We have audited the financial statements of Jefferson Township, Fayette County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 25, 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 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 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 and responses, we identified a certain deficiency in internal control over financial reporting, that we consider a 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 Township's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-002 described in the accompanying schedule of findings and responses to be a material weakness.

Jefferson Township  
Fayette County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

### **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 and responses as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 25, 2010.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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

*Caudill & Associates, CPAs*

Caudill & Associates, CPA's  
June 25, 2010

**Jefferson Township**  
**Fayette County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2009 and 2008*

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**Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS**

**Finding Number 2009-001**

**Noncompliance - Competitive Bidding**

Ohio Revised Code Section 5575.01 states that competitive bidding is required for contracts for the maintenance or repair of roads, where the amount involved exceeds \$45,000. In each case, the board must advertise once, not later than two weeks prior to the letting of the contract, in a newspaper published in the county and of general circulation in the township. Award must be to the lowest responsible bidder.

In 2008, the Township entered into one contract for road maintenance and repair that was greater than \$45,000. However, competitive bidding procedures were not followed. Failure to observe competitive bidding requirements fails to allow the public to participate in contracting opportunities and may result in the Township overpaying for services. The Township should ensure that competitive bidding procedures are observed when contracting exceeds established thresholds.

**Township Response:**

Competitive bidding will be advertised in the Record Herald when Trustees think they might exceed the maximum threshold.

**Finding Number 2009-002**

**Material Weakness - Misclassification of Receipts and Disbursements**

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 115 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

The Township erroneously posted several receipts and disbursements to incorrect line items and, in limited instances, improper funds. This required reclassifications and adjustments to properly present the financial activity of the Township in both years. The Township should implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

**Township Response:**

The Fiscal Officer will create additional codes to properly capture activity.

**Jefferson Township**  
**Fayette County**  
*Schedule of Prior Audit Findings*  
*For the Years Ended December 31, 2009 and 2008*

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	Noncompliance – ORC 5705.39 – appropriations in excess of estimated resources	Yes	
2007-002	Noncompliance – ORC 5705.41(D) – proper encumbrance of funds	Yes	
2007-003	Significant deficiency – posting of receipts	No	Reissued as Finding 2009-002



**Mary Taylor, CPA**  
Auditor of State

**JEFFERSON TOWNSHIP**

**FAYETTE 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  
OCTOBER 5, 2010**