



Mary Taylor, CPA  
Auditor of State



JEFFERSON TOWNSHIP  
PREBLE COUNTY

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Mary Taylor, CPA  
Auditor of State

Jefferson Township  
Preble County  
6954 Cedar Springs Road  
New Paris, Ohio 45347

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

June 7, 2010

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Jefferson Township  
Preble County  
6954 Cedar Springs Road  
New Paris, Ohio 45347

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Preble 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.

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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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, Preble 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 June 7, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

June 7, 2010



**JEFFERSON TOWNSHIP  
PREBLE 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>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$53,232	\$55,645		\$108,877
Charges for Services		1,164		1,164
Licenses, Permits, and Fees		28,355		28,355
Intergovernmental	25,298	134,823		160,121
Earnings on Investments	1,829	611	\$40	2,480
Miscellaneous	3,575	6,775		10,350
	<u>83,934</u>	<u>227,373</u>	<u>40</u>	<u>311,347</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	65,329			65,329
Public Works		127,025		127,025
Health	11,572	27,189		38,761
Human Services		10,582		10,582
Debt Service:				
Redemption of Principal		20,000		20,000
	<u>76,901</u>	<u>184,796</u>	<u>0</u>	<u>261,697</u>
Total Receipts Over Disbursements	<u>7,033</u>	<u>42,577</u>	<u>40</u>	<u>49,650</u>
Fund Cash Balances, January 1	<u>107,188</u>	<u>306,115</u>	<u>1,593</u>	<u>414,896</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$114,221</u></u></b>	<b><u><u>\$348,692</u></u></b>	<b><u><u>\$1,633</u></u></b>	<b><u><u>\$464,546</u></u></b>

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

**JEFFERSON TOWNSHIP  
PREBLE 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**

	<b>General</b>	<b>Special Revenue</b>	<b>Permanent</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$24,590	\$53,254		\$77,844
Charges for Services		100		100
Licenses, Permits, and Fees		18,360		18,360
Intergovernmental	80,118	125,670		205,788
Earnings on Investments	6,018	1,845	\$25	7,888
Miscellaneous	3,061	6,700		9,761
Total Cash Receipts	113,787	205,929	25	319,741
<b>Cash Disbursements:</b>				
Current:				
General Government	77,785			77,785
Public Works		196,106		196,106
Health	13,708	26,044		39,752
Capital Outlay	371	55,500		55,871
Debt Service:				
Redemption of Principal	1,000	19,000		20,000
Total Cash Disbursements	92,864	296,650	0	389,514
Total Receipts Over/(Under) Disbursements	20,923	(90,721)	25	(69,773)
<b>Other Financing Receipts:</b>				
Sale of Fixed Assets		9,000		9,000
Total Other Financing Receipts	0	9,000	0	9,000
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	20,923	(81,721)	25	(60,773)
Fund Cash Balances, January 1	86,265	387,836	1,568	475,669
<b>Fund Cash Balances, December 31</b>	<b>\$107,188</b>	<b>\$306,115</b>	<b>\$1,593</b>	<b>\$414,896</b>

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

**JEFFERSON TOWNSHIP  
PREBLE 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, Preble 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, bridge maintenance and cemetery maintenance.

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

Public Entity Risk Pool:

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.

**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. Investments in STAR Ohio are recorded at share values the STAR Ohio reports.

**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.

**JEFFERSON TOWNSHIP  
PREBLE COUNTY**

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

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

**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.

Cemetery Fund – This fund receives proceeds from the sale of cemetery lots and opening and closing charges used for maintaining the Township cemeteries.

**3. Permanent Fund**

This fund accounts 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 is used to account for a cemetery bequest given to the Township. The bequest is maintained in a certificate of deposit.

**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 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 canceled, and reappropriated in the subsequent year.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**JEFFERSON TOWNSHIP  
PREBLE COUNTY**

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

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

**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 and Investments**

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	\$198,195	\$150,320
Certificates of deposit	1,439	1,439
Other time deposits (savings and NOW accounts)	263,886	0
Total deposits	463,520	151,759
STAR Ohio	1,026	263,137
Total investments	1,026	263,137
Total deposits and investments	\$464,546	\$414,896

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Township; or collateralized by the financial institution's letter of credit.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**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	\$79,000	\$83,934	\$4,934
Special Revenue	186,500	227,373	40,873
Permanent	20	40	20
Total	\$265,520	\$311,347	\$45,827

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$206,766	\$76,901	\$129,865
Special Revenue	472,035	184,796	287,239
Permanent	1,613	0	1,613
Total	\$680,414	\$261,697	\$418,717

**JEFFERSON TOWNSHIP  
PREBLE COUNTY**

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

**3. Budgetary Activity (Continued)**

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,371	\$113,787	\$34,416
Special Revenue	259,500	214,929	(44,571)
Permanent	25	25	0
Total	\$338,896	\$328,741	(\$10,155)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$202,163	\$92,864	\$109,299
Special Revenue	557,288	296,650	260,638
Permanent	1,593	0	1,593
Total	\$761,044	\$389,514	\$371,530

Contrary to Ohio law, appropriations exceeded estimated resources by \$36,156 and \$20,576 for 2008 and 2009 respectively. Also contrary to Ohio law, appropriations exceed available resources in the following funds: General Fund 2008 totaling \$1,741, Cemetery Fund 2008 totaling \$3,940, General Fund 2009 totaling \$15,642 and Motor Vehicle License Tax Fund 2009 totaling \$407.

**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.

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

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

**JEFFERSON TOWNSHIP  
PREBLE COUNTY**

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

**5. Debt**

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Issue II Loan	\$40,000	0
Total	\$40,000	

The Township received a 5 year, 0% interest rate, Issue II loan to finance Township road improvements, widening, and resurfacing on July 1, 2005. The Township signed a promissory note to Ohio Public Works for this loan. This promissory note requires semi-annual payments of \$10,000 on January 1<sup>st</sup> and July 1<sup>st</sup> for a period of five years with the first payment being made on January 1, 2007. The promissory note is secured by local government funding disbursements handled by the County (i.e. local government fund for the entity would be withheld and forward to Ohio Public Works).

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

Year ending December 31:	Issue II Loan
2010	\$20,000
2011	20,000
Total	\$40,000

**6. Retirement Systems**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement 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.

**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.

**JEFFERSON TOWNSHIP  
PREBLE COUNTY**

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

**7. Risk Management (Continued)**

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>

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 \$6,317.

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.

<b><u>Contributions to OTARMA</u></b>	
2007	\$6,895
2008	\$7,345



**JEFFERSON TOWNSHIP  
PREBLE COUNTY**

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

**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.

**8. Compliance**

Contrary to Ohio Revised Code, the Township allocated the Trustees' salaries to a fund other than the fund approved by the Board.

Contrary to Ohio Administrative Code, the Township did not integrate all budgetary accounts into the financial accounting system.

Contrary to Ohio Revised Code, the Township did not timely deposit all cemetery receipts.

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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  
Preble County  
6954 Cedar Springs Road  
New Paris, Ohio 45347

To the Board of Trustees:

We have audited the financial statements of the Jefferson Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 7, 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 also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 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 entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

### **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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-002 through 2009-006.

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 7, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

June 7, 2010

**JEFFERSON TOWNSHIP  
PREBLE COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
----------------------------------------------------------------------------------------------------------

**FINDING NUMBER 2009-001**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Township lacks management oversight in the posting of financial activity. Significant posting errors were noted during the testing of taxes, intergovernmental revenues, debt activity and miscellaneous receipts. These errors resulted in the following audit adjustments:

- General Fund taxes decreased and intergovernmental revenue increased by \$4,980 in 2008 and \$4,280 in 2009 due to public utility reimbursements, homestead and rollback receipts and tangible personal property taxes being improperly posted to taxes instead of intergovernmental revenue.
- Road and Bridge Fund taxes decreased and intergovernmental revenue increased by \$10,458 in 2008 and \$12,660 in 2009 due to public utility reimbursements, homestead and rollback receipts and tangible personal property taxes being improperly posted to taxes instead of intergovernmental revenue.
- Permissive Motor Vehicle License Tax taxes decreased and intergovernmental revenue increased by \$12,471 in 2008 and \$12,068 in 2009 due to permissive tax revenue improperly posted to taxes instead of intergovernmental revenue.
- Intergovernmental revenue decreased and public works decreased by \$8,857 due to Federal Emergency Management Agency funds being posted as revenue instead of a reduction of expenditures in 2009.
- General Fund general government disbursements decreased \$1,000, Motor Vehicle License Tax Fund public works decreased \$2,000, Gasoline Tax Fund public works decreased \$6,000, Road and Bridge Fund public works decreased \$5,000 and Permissive Motor Vehicle License Tax Fund public works decreased \$6,000 and debt service-redemption of principal increased in those funds respectively due to the improper posting of debt payments in 2008.
- Motor Vehicle License Tax Fund public works decreased \$1,000, Gasoline Tax Fund public works decreased \$15,000 and Road and Bridge Fund public works decreased \$4,000 and debt service-redemption of principal increased in those funds respectively due to the improper posting of debt payments in 2009.
- A vehicle purchased during 2008 was improperly posted to public works instead of capital outlay. Public works decreased and capital outlay increased in the following funds in the amounts noted: Motor Vehicle License Tax (\$5,500), Gasoline Tax (\$25,000), Road and Bridge Fund (\$20,000) and Permissive Motor Vehicle License Tax (\$4,000).

**FINDING NUMBER 2009-001  
 (Continued)**

- Charges for services decreased and the sale of assets increased \$9,000 in the Road and Bridge Fund due to proceeds from the sale of dump truck being improperly posted in 2008.

Adjustments were posted to the financial statements and accounting records to correct the above classifications.

The lack of proper management oversight could result in material misstatement relating to financial data. To improve record keeping and accountability of receipts we recommend that all county, state and federal revenue receipts be posted properly. For guidance the Township should utilize the Ohio Township Handbook.

**FINDING NUMBER 2009-002**

**Material Noncompliance**

**Ohio Rev. Code, Section 5705.39**, states that total appropriations from each fund shall not exceed the total estimated resources.

Appropriations exceeded estimated resources in the General Fund in the amount of \$36,156 and \$20,576 for 2008 and 2009 respectively. Total appropriations exceeding estimated resources could result in negative fund balances and overspending. We recommend that Township personnel and the Board review budgetary compliance on a monthly basis and make amendments as required.

**FINDING NUMBER 2009-003**

**Material Noncompliance**

**Ohio Rev. Code, 5705.36(A)(4)**, states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Estimated receipts exceeded actual receipts in the funds noted below. Furthermore, the amount of the deficiency reduced available resources below the current level of appropriations.

<b>Fund</b>	<b>Appropriations</b>	<b>Available Resources</b>	<b>Variance</b>
General Fund (2008)	\$201,792	\$200,052	\$1,740
Cemetery Fund (2008)	73,440	69,500	3,940
General Fund (2009)	206,766	191,124	15,642
Motor Vehicle License Tax (2009)	50,722	50,315	407

**FINDING NUMBER 2009-004**

**Material Noncompliance**

**Ohio Admin. Code, Section 117-2-02(C)(1)**, states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Township lacks management oversight in the posting of estimated resources. The estimated resources posted to the Township's accounting system do not match the final certificate of estimated resources. The Township failed to properly post estimated resources to the accounting system as follows:

<b>Fund</b>	<b>Estimated Resources per Amended Certificate of Estimate Resources</b>	<b>Estimated Resources posted to the Village's accounting system</b>	<b>Variance</b>
General Fund (2008)	\$79,371	\$96,008	\$(16,637)
Motor Vehicle License Tax Fund (2008)	18,000	13,400	4,600
Gasoline Tax Fund (2008)	107,000	90,714	16,286
Road & Bridge Fund (2008)	82,000	59,501	22,499
Cemetery Fund (2008)	31,000	19,461	11,539
Perm Motor Vehicle License (2008)	21,500	11,339	10,161
FEMA Fund (2009)	0	10,582	(10,582)

Failure to properly obtain amended certificates when the amount of deficiency will reduce available resources below the current level of appropriation can result in overspending and negative fund balances. Failure to properly post budgetary amounts to the Township's accounting system could result in an ability to monitor activity. We recommend that the Township use correct amounts on the budgetary documents and monitor estimated and actual receipts and obtain amendments when required.

**FINDING NUMBER 2009-005**

**Material Noncompliance**

**Ohio Rev. Code, Section 9.38**, states public money must be deposited with the treasurer of the public of office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money hold it past the next business day, but the deposit must be made not later than 3 business days after receiving it.

The Fiscal Officer did not deposit cemetery revenue on a timely basis. 115 out of 125 receipts tested were held anywhere from two days to fifty-seven days before being deposited. Also, the date paid was not always documented on the monument or foundation invoices. Failure to deposit receipts on a timely basis may result in the misappropriation of revenue. We recommend the Fiscal Officer deposit receipts on a timely basis of three business days or less and that the Township develop a written policy on the timely deposit of revenue. All receipt documentation should be dated.

**FINDING NUMBER 2009-006**

**Material Noncompliance**

**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 administration 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. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustee's document all time spent on township business and the type of service(s) performed, in a manner similar to trustee's paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds. The requirements of Ohio Revised Code Section 505.24(C) were noted in the Jefferson Township report for the audit conducted for years ending December 31, 2007 and 2006.

The Township Trustees were paid two-thirds of their salaries from the Gasoline Fund in 2008 and 2009, totaling \$20,576 and \$18,008 respectively. Per the minutes in 2007, the Board approved paying two-thirds of the Trustees salaries out of the Road and Bridge Fund and not the Gasoline Fund. The Township Trustees did not prepare documentation for how they spent their time. It is necessary for Township Trustees to document their time in order to substantiate that salaries were allocated to the proper funds. The Township posted adjustments to the General Fund and Gasoline Fund in the accompanying financial statements and their accounting records for the incorrect postings. Failure to accurately post transactions as approved by the Board may result in inaccurate financial statements or negative fund balances.

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.

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



**JEFFERSON TOWNSHIP  
PREBLE 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; <b><i>Explain</i></b>
2007-001	ORC § 117.28, finding for recovery repaid under audit for public monies illegal expended	Yes	Repaid on July 22, 2008
2007-002	ORC § 5705.41(B), expenditures exceeding appropriations	No	Partially Corrected – Reissued as a Management Letter Comment
2007-003	ORC § 505.24(C), failure to pay Township Trustees from the correct funds	No	Re-Issued as Finding 2009-006
2007-004	ORC § 5705.09(F) failure to establish a fund	Yes	
2007-005	ORC § 135.18, failure to adequately collateralize deposits	Yes	
2007-006	Failure to establish proper controls and procedures over recording financial activity	No	Re-Issued as Finding 2009-001
2007-007	Failure to deposit timely	No	Re-Issued as Finding 2009-005





**Mary Taylor, CPA**  
Auditor of State

**JEFFERSON TOWNSHIP**

**PREBLE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 29, 2010**