



Dave Yost • Auditor of State

JEFFERSON TOWNSHIP
PREBLE COUNTY

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Dave Yost • 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.

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Dave Yost
Auditor of State

June 20, 2012

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Dave Yost • 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, 2011 and 2010. 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(A) mandates 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, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 as of December 31, 2010 of Jefferson Township, Preble County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 3, during 2011 Jefferson Township, Preble County, adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Also has described in Note 2, the Township restated their beginning fund balances at January 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2012, 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.



Dave Yost
Auditor of State

June 20, 2012

**JEFFERSON TOWNSHIP
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$45,638	\$56,860		\$102,498
Licenses, Permits and Fees		27,074		27,074
Intergovernmental	32,533	121,833		154,366
Special Assessments		280		280
Earnings on Investments	1,475	416	11	1,902
Miscellaneous	2,802	11,875		14,677
<i>Total Cash Receipts</i>	<u>82,448</u>	<u>218,338</u>	<u>11</u>	<u>300,797</u>
Cash Disbursements				
Current:				
General Government	64,648	140		64,788
Public Works		145,746		145,746
Health	6,374	42,670		49,044
Capital Outlay		10,528	210	10,738
Debt Service:				
Principal Retirement		10,000		10,000
<i>Total Cash Disbursements</i>	<u>71,022</u>	<u>209,084</u>	<u>210</u>	<u>280,316</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>11,426</u>	<u>9,254</u>	<u>(199)</u>	<u>20,481</u>
<i>Fund Cash Balances, January 1</i>	<u>211,935</u>	<u>251,642</u>	<u>1,644</u>	<u>465,221</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	1,438	1,438
Restricted		155,492		155,492
Committed		105,404		105,404
Assigned	0		6	6
Unassigned (Deficit)	223,361	0	0	223,361
<i>Fund Cash Balances, December 31</i>	<u>\$223,361</u>	<u>\$260,896</u>	<u>\$1,444</u>	<u>\$485,701</u>

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, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$54,090	\$57,234	\$0	\$111,324
Charges for Services		326		326
Licenses, Permits, and Fees		27,833		27,833
Intergovernmental	85,277	126,104		211,381
Earnings on Investments	2,660	746	11	3,417
Miscellaneous	640	12,300		12,940
Total Cash Receipts	<u>142,667</u>	<u>224,543</u>	<u>11</u>	<u>367,221</u>
Cash Disbursements:				
Current:				
General Government	65,400			65,400
Public Works		223,431		223,431
Health	14,690	29,575		44,265
Capital Outlay	3,450	10,000		13,450
Debt Service:				
Redemption of Principal		20,000		20,000
Total Cash Disbursements	<u>83,540</u>	<u>283,006</u>	<u>0</u>	<u>366,546</u>
Total Receipts Over/(Under) Disbursements	<u>59,127</u>	<u>(58,463)</u>	<u>11</u>	<u>675</u>
Fund Cash Balances, January 1 (Restated)	<u>152,808</u>	<u>310,105</u>	<u>1,633</u>	<u>464,546</u>
Fund Cash Balances, December 31	<u><u>\$211,935</u></u>	<u><u>\$251,642</u></u>	<u><u>\$1,644</u></u>	<u><u>\$465,221</u></u>

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

**JEFFERSON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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, 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 and bridge maintenance and cemetery maintenance.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 9 to the financial statements provides additional information for this entity. 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 that 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.

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:

**JEFFERSON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 Funds

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 2011 and 2010 budgetary activity appears in Note 5.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**JEFFERSON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. Restatement of Beginning Fund Balances

The restatement of beginning fund balances was required to correct prior year payroll disbursement allocation based on an inaccurate Trustee pay resolution.

	Fund Balance at December 31, 2009	Change due to correction in inaccurate pay resolution	Adjusted Fund Balance at December 31, 2009
General	\$114,221	\$38,587	\$152,808
Special Revenue	\$348,692	(\$38,587)	\$310,105

3. Change in Accounting Principle

For fiscal year 2011, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 resulted in no changes in fund structure.

4. 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:

	<u>2011</u>	<u>2010</u>
Demand deposits	\$214,473	\$195,709
Certificates of deposit	1,438	1,438
Other time deposits (savings and NOW accounts)	<u>268,762</u>	<u>267,047</u>
Total deposits	<u>484,673</u>	<u>464,194</u>
STAR Ohio	<u>1,028</u>	<u>1,027</u>
Total investments	<u>1,028</u>	<u>1,027</u>
Total deposits and investments	<u><u>\$485,701</u></u>	<u><u>\$465,221</u></u>

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.

**JEFFERSON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$71,800	\$82,448	\$10,648
Special Revenue	213,200	218,338	5,138
Permanent	10	11	1
Total	\$285,010	\$300,797	\$15,787

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$283,735	\$71,022	\$212,713
Special Revenue	464,842	209,084	255,758
Permanent	1,654	210	1,444
Total	\$750,231	\$280,316	\$469,915

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,000	\$142,667	\$63,667
Special Revenue	209,000	224,543	15,543
Permanent	20	11	(9)
Total	\$288,020	\$367,221	\$79,201

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$231,808	\$83,540	\$148,268
Special Revenue	519,105	283,006	236,099
Permanent	1,653	1,653	1,653
Total	\$752,566	\$366,546	\$386,020

**JEFFERSON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Property Tax

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

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

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

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

7. Debt

The Township has paid the Ohio Public Works Commission Issue II loan that was received on July 1, 2005 in its entirety.

8. 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 2011 and 2010, 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, 2011.

9. 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, 2011 AND 2010
(Continued)**

9. 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, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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.

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, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$6,000.

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.

<u>Contributions to OTARMA</u>	
<u>2010</u>	<u>2009</u>
\$8,180	\$6,221

**JEFFERSON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. Risk Management (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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.

10. Compliance

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



Dave Yost • 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 Jefferson Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 20, 2012, 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 and restated their beginning fund balances at January 1, 2010. 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. The Township adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. 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 2011-02 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

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 20, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 20, 2012

**JEFFERSON TOWNSHIP
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Noncompliance Citation

Ohio Rev. Code, Section 9.38, states public money must be deposited with the treasurer of the public 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. Of the 167 receipts tested, 136 receipts were held from 2 days to 39 days before being deposited. Also, the date received was not documented on certain receipts. 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 and that the Township develop a written policy on the timely deposit of receipts. All receipt documentation should be dated.

Officials' Response:

We did not receive a response from officials regarding the finding reported above.

FINDING NUMBER 2011-02

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. We identified the errors in the posting of financial activity which resulted in the following adjustments:

- General Fund Taxes decreased by \$4,144, Intergovernmental Revenue increased by \$4,312, and Miscellaneous Revenue decreased by \$168 in 2010 due to public utility reimbursements, homestead and rollback receipts and tangible personal property tax replacement receipts being improperly posted to Taxes and Miscellaneous Revenue instead of Intergovernmental Revenue. General Fund taxes decreased by \$3,614 and Intergovernmental Revenue increased by \$3,614 in 2011 due to public utility reimbursements, homestead and rollback receipts and tangible personal property tax replacement receipts being improperly posted to Tax Revenue instead of Intergovernmental Revenue.

**FINDING NUMBER 2011-002
(Continued)**

- Road and Bridge Fund Taxes decreased and Intergovernmental Revenue increased by \$13,111 in 2010 due to public utility reimbursements, homestead and rollback receipts and tangible personal property tax replacement receipts being improperly posted to Taxes instead of Intergovernmental Revenue. Road and Bridge Fund Taxes decreased by \$11,425, Intergovernmental Revenue increased by \$11,285, Special Assessments increased by \$280, and Public Works expenditures increased by \$140 in 2011 due to public utility reimbursements, homestead and rollback receipts, tangible personal property tax replacement receipts, and special assessments being improperly posted to Taxes instead of Intergovernmental Revenue and negative expenditures rather than Special Assessments.
- Permissive Motor Vehicle License Tax Fund Taxes decreased and Intergovernmental Revenue increased by \$12,181 in 2010 and \$11,960 in 2011 due to permissive tax revenue improperly posted to Taxes instead of Intergovernmental Revenue.
- The Motor Vehicle License Tax Fund Public Works decreased \$1,000, Gasoline Tax Fund Public Works decreased \$5,000, and the Road and Bridge Fund Public Works decreased \$14,000 and Debt Service-Redemption of Principal increased in those funds respectively due to the improper posting of debt payments in 2010.
- The Gasoline Tax Fund Public Works decreased \$1,000, and the Road and Bridge Fund Public Works decreased \$9,000 and Debt Service-Redemption of Principal increased in those funds respectively due to the improper posting of debt payments in 2011.
- The 2010 beginning balance of the General fund increased by \$38,587 and the beginning balance of the Special Revenue funds decreased by \$38,587 because in 2009 the Township paid Trustees salaries out of the Gasoline Fund and an audit adjustment was made. The appropriation resolution in 2009 budgeted for the Trustees salaries to be paid from the Gasoline Fund while the Trustees approved a resolution to pay a portion of the Trustees' salaries out of the Road and Bridge Fund. In 2010, the Trustees approved a retroactive resolution to correct the disconnect between the appropriations and prior resolution to approve the Trustees' salaries being paid from the Gasoline Fund. Therefore, a prior period adjustment was made by the Township.

The Township posted audit adjustments to the financial statements and accounting records to correct these errors.

The lack of proper management oversight could result in the material misstatement of financial data.

To improve record keeping and accountability of receipts we recommend that all county and state receipts be properly posted. For guidance the Township should utilize the Ohio Township Handbook. We also recommend that the Township monitor the wording and intent of resolutions, and ensure that transactions are posted in accordance with accurate resolutions.

Officials' Response:

We did not receive a response from officials regarding the finding reported above.

**JEFFERSON TOWNSHIP
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Lack of management oversight in the posting of financial activity.	No	Re-Issued as Finding 2011-002.
2009-002	Ohio Rev. Code, Section 5705.39, appropriations exceed estimated resources.	Yes	
2009-003	Ohio Rev. Code, Section 5705.36(A)(4), estimated receipts actual receipts and reduced available resources below the current level of appropriation.	No	Partially Corrected – Reissued as a Management Letter Comment
2009-004	Ohio Admin. Code, Section 117-2-02(C),(1), failure to properly post estimated resources to the accounting system.	Yes	
2009-005	Ohio Rev. Code, Section 9.38, failure to timely deposit.	No	Re-Issued as Finding 2011-001.
2009-006	Ohio Rev. Code, Section 505.24(C), failure to pay Trustees from the proper fund.	Yes	

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Dave Yost • 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
JULY 12, 2012**