



Dave Yost • Auditor of State

JEFFERSON TOWNSHIP
PREBLE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Jefferson Township, Preble County, (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Jefferson Township, Preble County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 19, 2014

**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, 2013**

| | General | Special Revenue | Permanent | Totals (Memorandum Only) |
|---|------------------|----------------------------|------------------|---|
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$89,285 | \$61,622 | | \$150,907 |
| Charges for Services | | 249 | | 249 |
| Licenses, Permits and Fees | 770 | 19,208 | | 19,978 |
| Intergovernmental | 12,848 | 119,916 | | 132,764 |
| Earnings on Investments | 495 | 227 | \$1 | 723 |
| Miscellaneous | 3,041 | 7,600 | | 10,641 |
| Total Cash Receipts | <u>106,439</u> | <u>208,822</u> | <u>1</u> | <u>315,262</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 130,845 | | | 130,845 |
| Public Works | | 184,229 | | 184,229 |
| Health | 10,984 | 32,258 | | 43,242 |
| Capital Outlay | 7,158 | 400 | | 7,558 |
| Total Cash Disbursements | <u>148,987</u> | <u>216,887</u> | | <u>365,874</u> |
| Excess of Receipts Over (Under) Disbursements | (42,548) | (8,065) | 1 | (50,612) |
| Fund Cash Balances, January 1 | <u>206,813</u> | <u>260,878</u> | <u>1,450</u> | <u>469,141</u> |
| Fund Cash Balances, December 31: | | | | |
| Non-spendable | | | 1,439 | 1,439 |
| Restricted | | 252,813 | 12 | 252,825 |
| Assigned | 164,265 | | | 164,265 |
| Fund Cash Balances, December 31 | <u>\$164,265</u> | <u>\$252,813</u> | <u>\$1,451</u> | <u>\$418,529</u> |

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

**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, 2012**

| | <u>General</u> | <u>Special Revenue</u> | <u>Permanent</u> | <u>Totals (Memorandum Only)</u> |
|---|------------------|----------------------------|------------------|---|
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$66,688 | \$65,953 | | \$132,641 |
| Licenses, Permits and Fees | | 19,360 | | 19,360 |
| Intergovernmental | 48,336 | 114,851 | | 163,187 |
| Earnings on Investments | 846 | 241 | \$6 | 1,093 |
| Miscellaneous | 3,157 | 3,800 | | 6,957 |
| Total Cash Receipts | <u>119,027</u> | <u>204,205</u> | <u>6</u> | <u>323,238</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 128,254 | | | 128,254 |
| Public Works | | 176,068 | | 176,068 |
| Health | 6,510 | 28,155 | | 34,665 |
| Capital Outlay | 811 | | | 811 |
| Total Cash Disbursements | <u>135,575</u> | <u>204,223</u> | | <u>339,798</u> |
| Excess of Receipts Over (Under) Disbursements | (16,548) | (18) | 6 | (16,560) |
| Fund Cash Balances, January 1 | <u>223,361</u> | <u>260,896</u> | <u>1,444</u> | <u>485,701</u> |
| Fund Cash Balances, December 31: | | | | |
| Non-spendable | | | 1,439 | 1,439 |
| Restricted | | 260,878 | 11 | 260,889 |
| Assigned | 158,798 | | | 158,798 |
| Unassigned (Deficit) | 48,015 | | | 48,015 |
| Fund Cash Balances, December 31 | <u>\$206,813</u> | <u>\$260,878</u> | <u>\$1,450</u> | <u>\$469,141</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, 2013 AND 2012**

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, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

**JEFFERSON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(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

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Endowment 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. 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 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 re-appropriated in the subsequent year.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Non-spendable

The Township classifies assets as *non-spendable* 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. The Township did not have any committed fund balances.

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.

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:

**JEFFERSON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

| | 2013 | 2012 |
|--|-------------------------|-------------------------|
| Demand deposits | \$145,722 | \$196,950 |
| Certificates of deposit | 1,439 | 1,439 |
| Other time deposits (savings and NOW accounts) | 270,339 | 269,723 |
| Total deposits | <u>417,500</u> | <u>468,112</u> |
| STAR Ohio | 1,029 | 1,029 |
| Total investments | <u>1,029</u> | <u>1,029</u> |
| Total deposits and investments | <u><u>\$418,529</u></u> | <u><u>\$469,141</u></u> |

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|--------------------------|------------------------|-----------------|
| General | \$92,549 | \$106,439 | \$13,890 |
| Special Revenue | 166,800 | 208,822 | 42,022 |
| Permanent | 5 | 1 | (4) |
| Total | <u>\$259,354</u> | <u>\$315,262</u> | <u>\$55,908</u> |

2013 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|--------------------------------|-------------------------------|------------------|
| General | \$251,347 | \$148,987 | \$102,360 |
| Special Revenue | 451,368 | 216,887 | 234,481 |
| Permanent | 1,455 | 1,455 | 1,455 |
| Total | <u>\$704,170</u> | <u>\$365,874</u> | <u>\$338,296</u> |

2012 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|--------------------------|------------------------|-----------------|
| General | \$78,353 | \$119,027 | \$40,674 |
| Special Revenue | 198,500 | 204,205 | 5,705 |
| Permanent | 10 | 6 | (4) |
| Total | <u>\$276,863</u> | <u>\$323,238</u> | <u>\$46,375</u> |

2012 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|--------------------------------|-------------------------------|------------------|
| General | \$296,811 | \$135,575 | \$161,236 |
| Special Revenue | 458,946 | 204,223 | 254,723 |
| Permanent | 1,454 | 1,454 | 1,454 |
| Total | <u>\$757,211</u> | <u>\$339,798</u> | <u>\$417,413</u> |

**JEFFERSON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. PROPERTY TAX

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

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

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

5. RETIREMENT SYSTEMS

The Township's 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 2013 and 2012, 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, 2013.

6. 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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

A. Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 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.

**JEFFERSON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. RISK MANAGEMENT (Continued)

B. 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, 2013 and 2012.

| | 2013 | 2012 |
|--------------|--------------|--------------|
| Assets | \$34,954,286 | \$34,771,270 |
| Liabilities | 8,486,363 | 9,355,082 |
| Net Position | \$26,467,923 | \$25,416,188 |

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$4,639.

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 | |
|--------------------------------|-------------|
| 2013 | 2012 |
| \$8,435 | \$8,562 |

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.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Jefferson Township, Preble County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code section 117.38 and Ohio Administrative Code 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2013-002 to be a significant deficiency.

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, opining 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 2013-001.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

September 19, 2014

**JEFFERSON TOWNSHIP
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Noncompliance Citation

Ohio Rev. Code § 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 to hold it past the next business day, but the deposit must be made not later than three business days after receiving it.

The Fiscal Officer did not deposit cemetery revenue on a timely basis. 49 out of 116 receipts tested were not deposited timely, ranging from 4 days to 28 days. Failure to deposit receipts on a timely basis may result in the misappropriation, loss, or theft 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.

FINDING NUMBER 2013-002

Significant Deficiency

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 taxes and intergovernmental revenue. We identified errors in the posting of financial activity which resulted in the following adjustments:

- In 2012, homestead and rollback receipts and tangible personal property tax replacement receipts were posted to Taxes instead of Intergovernmental Revenue. This resulted in reclassifications to the General Fund: decrease in Taxes of \$7,544 and increase in Intergovernmental Revenue of \$7,544. This also resulted in reclassifications to the Road & Bridge Fund (Special Revenue): decrease in Taxes of \$4,582 and increase in Intergovernmental Revenue of \$4,582.
- In 2013, homestead and rollback receipts and tangible personal property tax replacement receipts were posted to Taxes instead of Intergovernmental Revenue. This resulted in reclassifications to the General Fund: decrease in Taxes of \$2,995 and increase in Intergovernmental Revenue of \$2,995. This also resulted in reclassifications to the Road & Bridge Fund (Special Revenue): decrease in Taxes of \$9,261 and increase in Intergovernmental Revenue of \$9,261.
- Permissive Motor Vehicle License Tax was posted to Taxes instead of Intergovernmental Revenue. This resulted in reclassifications to the Road & Bridge Fund (Special Revenue), decrease in Taxes and an increase in Intergovernmental Revenue in the amount of \$12,552 in 2012 and \$12,575 in 2013.

Adjustments were posted to the financial statements to correct the above classifications.

FINDING NUMBER 2013-002 CONTINUED

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 and state receipts be properly posted. For guidance the Township should utilize the Ohio Township Handbook, which can be located on the Auditor of State website under Resources/Publications & Manuals.

Officials' Response:

We did not receive any responses from the Officials to the findings above.

**JEFFERSON TOWNSHIP
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2011-01 | Ohio Rev. Code, § 9.38, failure to timely deposit. | No | Not corrected – Issued as Finding 2013-001 |
| 2011-02 | Lack of management oversight in the posting of financial activity. | No | Not corrected – Issued as Finding 2013-002 |

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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
NOVEMBER 6, 2014**