

***JEFFERSON TOWNSHIP***

***NOBLE COUNTY, OHIO***

**REGULAR AUDIT**

**For the Years Ended December 31, 2016 and 2015**







# Dave Yost • Auditor of State

Board of Trustees  
Jefferson Township  
38916 Sheep Skin Road  
Lower Salem, Ohio 43745

We have reviewed the *Independent Auditor's Report* of Jefferson Township, Noble County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 6, 2017

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JEFFERSON TOWNSHIP  
NOBLE COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report .....	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2016 .....	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2015 .....	5
Notes to the Financial Statements .....	6
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Audit Findings .....	15
Schedule of Prior Audit Findings .....	16
Corrective Action Plan .....	17

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**INDEPENDENT AUDITOR'S REPORT**

Jefferson Township  
Noble County  
38916 Sheep Skin Ridge Road  
Lower Salem, Ohio 43745

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Jefferson Township, Noble County, (the Township) as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements.

***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 opinions.

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

As described in Note 2 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2016 and 2015, or changes in financial position thereof for the years then ended.

***Basis for Adverse Opinion on Regulatory Basis of Accounting***

During the audit covering January 1, 2007 to December 31, 2008, the Trustees improperly paid salaries for Trustees from the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$250 that should have been paid from the General Fund. Also, the Fiscal Officer posted 2008 gasoline excise tax monies, in the amount of \$358 to the General Fund, instead of the Gasoline Tax Fund, Special Revenue Fund type. The Township declined to make these adjustments.

During the audit covering January 1, 2009 to December 31, 2010, the Trustees' salaries were incorrectly allocated in 2009 to Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$139 that should have been allocated to the General Fund. Also, during 2010 and 2009 the Township paid various obligations from Special Revenue road funds, the Motor Vehicle License Tax Fund in the amount of \$3,461, the Gasoline Tax Fund in the amount of \$13,959, and the Road and Bridge Fund in the amount of \$946, that should have been paid from the General Fund, in the amount of \$18,366. In addition, a proof of cash was performed for 2010 and 2009, since the Township did not reconcile, requiring the General Fund to be decreased by \$16, the Road and Bridge Fund to be decreased by \$355, the Gasoline Tax Fund to be decreased by \$20, the Permissive Tax Fund to be decreased by \$10 and the Cemetery Fund to be decreased by \$100. During 2010, revenues were posted to the incorrect fund in the amounts of \$3,303 and \$2,368, to the General Fund and Motor Vehicle License Tax Fund, respectively, and due in the amounts of \$3,303 and \$2,368 to the Road and Bridge Fund and Gasoline Tax Fund, respectively. The Township declined to make these adjustments.

During the audit covering January 1, 2011 to December 31, 2012, the Trustees' and Fiscal Officer salaries were allocated to Gasoline Tax Special Revenue Fund, in the amount of \$3,832 instead of to the General Fund, in the amount of \$3,832. Also, during 2012 and 2011 the Township paid various obligations from Special Revenue road funds, the Motor Vehicle License Tax Fund, in the amount of \$2,578, the Gasoline Tax Fund, in the amount of \$12,474, and the Road and Bridge Fund, in the amount of \$1,167, that should have been paid from the General Fund, in the amount of \$16,219. In addition, a proof of cash was performed for 2012 and 2011 since the Township did not reconcile requiring the General Fund to be increased by \$22, the Road and Bridge Fund to be increased by \$104, and the Gasoline Tax Fund to be increased by \$2,450. The Township declined to make these adjustments.

***Adverse Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Jefferson Township, Noble County, as of December 31, 2016 and 2015, 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 2.

***Emphasis of Matter***

As discussed in Note 9, the Township is experiencing financial difficulties. Management has declined to post the aforementioned adjustments discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* paragraph, due to the General Fund's cash balance not being sufficient to support these adjustments. Management's plan in regards to these financial difficulties is described in Note 9 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2017, 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.



**Charles E. Harris & Associates, Inc.**  
June 23, 2017

**JEFFERSON TOWNSHIP  
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 4,678	\$ 7,940	\$ 12,618
Intergovernmental	14,237	101,360	115,597
Miscellaneous	181	350	531
<i>Total Cash Receipts</i>	19,096	109,650	128,746
<b>Cash Disbursements</b>			
Current:			
General Government	10,991	10,504	21,495
Public Safety	10,400	-	10,400
Public Works	-	70,877	70,877
Health	-	370	370
Other	-	1,500	1,500
<i>Total Cash Disbursements</i>	21,391	83,251	104,642
<i>Excess of Receipts Over (Under) Disbursements</i>	(2,295)	26,399	24,104
<i>Fund Cash Balances, January 1</i>	14,103	18,526	32,629
<b>Fund Cash Balances, December 31</b>			
Restricted	-	40,292	40,292
Committed	-	4,633	4,633
Unassigned	11,808	-	11,808
<i>Fund Cash Balances, December 31</i>	<u>\$ 11,808</u>	<u>\$ 44,925</u>	<u>\$ 56,733</u>

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

**JEFFERSON TOWNSHIP  
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 4,800	\$ 8,002	\$ 12,802
Intergovernmental	18,048	101,317	119,365
Miscellaneous	556	-	556
<i>Total Cash Receipts</i>	23,404	109,319	132,723
<b>Cash Disbursements</b>			
Current:			
General Government	9,623	27,411	37,034
Public Safety	7,400	-	7,400
Public Works	-	76,897	76,897
Health	-	600	600
Other	-	1,000	1,000
<i>Total Cash Disbursements</i>	17,023	105,908	122,931
<i>Excess of Receipts Over (Under) Disbursements</i>	6,381	3,411	9,792
<i>Fund Cash Balances, January 1</i>	7,722	15,115	22,837
<b>Fund Cash Balances, December 31</b>			
Restricted	-	14,566	14,566
Committed	-	3,960	3,960
Unassigned	14,103	-	14,103
<i>Fund Cash Balances, December 31</i>	<u>\$ 14,103</u>	<u>\$ 18,526</u>	<u>\$ 32,629</u>

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

**JEFFERSON TOWNSHIP**  
*NOBLE COUNTY*

*NOTES TO THE FINANCIAL STATEMENTS*  
*DECEMBER 31, 2016 and 2015*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Jefferson Township, Noble 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, fire protection and emergency medical services. The Township contracts with the Caldwell Volunteer fire departments to provide fire protection services.

***Public Entity Risk Pools***

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provide additional information for this entity.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, which are organized on a fund type basis.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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:

***Gasoline Tax Fund*** The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Road and Bridge Fund*** The road and bridge fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

**JEFFERSON TOWNSHIP**  
**NOBLE COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS*  
*DECEMBER 31, 2016 AND 2015*  
*(Continued)*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting***

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

**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.

**Estimated Resources** Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

**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 2016 and 2015 budgetary activity appears in Note 3.

***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.

***Capital Assets***

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**  
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(Continued)

**Note 2- Summary of Significant Accounting Policies (Continued)**

**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:

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

**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.

**Committed** The 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.

**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. The Board may also assign fund balance as they do when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget in the General Fund.

**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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 and 2015 follows:

<b>2016 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$11,000	\$19,096	\$8,096
Special Revenue	109,050	109,650	600

**JEFFERSON TOWNSHIP**  
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(Continued)

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

**2016 Budgeted vs. Actual Budgetary Basis Disbursements**

<b>Fund Type</b>	<b>Appropriation</b>	<b>Budgetary</b>	<b>Variance</b>
	<b>Authority</b>	<b>Disbursements</b>	
General	\$26,230	\$21,391	\$4,839
Special Revenue	126,449	83,251	43,198

**2015 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted</b>	<b>Actual</b>	<b>Variance</b>
	<b>Receipts</b>	<b>Receipts</b>	
General	\$18,170	\$23,404	\$5,234
Special Revenue	106,265	109,319	3,054

**2015 Budgeted vs. Actual Budgetary Basis Disbursements**

<b>Fund Type</b>	<b>Appropriation</b>	<b>Budgetary</b>	<b>Variance</b>
	<b>Authority</b>	<b>Disbursements</b>	
General	\$18,271	\$17,023	\$1,248
Special Revenue	121,380	105,908	15,472

**Note 4 – Deposits**

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

	<u>2016</u>	<u>2015</u>
Demand Deposits	<u>\$ 56,733</u>	<u>\$ 32,629</u>

**Deposits**

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

**JEFFERSON TOWNSHIP**  
*NOBLE COUNTY*

*NOTES TO THE FINANCIAL STATEMENTS*  
*DECEMBER 31, 2016 AND 2015*  
*(Continued)*

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**Note 5 – Property Taxes**

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.

**Note 6 - Risk Management**

***Risk Pool Membership***

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), 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.

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, 2016 and 2015, 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**  
*NOBLE COUNTY*

*NOTES TO THE FINANCIAL STATEMENTS*  
*DECEMBER 31, 2016 AND 2015*  
*(Continued)*

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**Note 6 – Risk Management (Continued)**

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, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Assets	\$ 3,843,283	\$37,313,311
Liabilities	8,244,140	8,418,518
Net Position	30,229,143	28,894,793

At December 31, 2016 and 2015 respectively, the liabilities above include approximately \$7.4 and \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$6.9 and \$7.7 million of unpaid claims to be billed to approximately 1,010 and 989 member governments in the future, as of December 31, 2016 and 2015, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$1,000.

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>2016 Contributions</u>	<u>2015 Contributions</u>
<u>to OTARMA</u>	<u>to OTARMA</u>
\$ 2,711	\$ 2,579

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.

**Note 7 - Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

All employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**JEFFERSON TOWNSHIP**  
NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(Continued)

**Note 8 – Contingent Liabilities**

The District may be a defendant in lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially affect the Township's financial condition.

**Note 9 – Financial Difficulties**

At December 31, 2016, the following funds had adjustments which the Township declined to make the following amounts:

Fund	December 31, 2016 Balance	Adjustments Not Made	Effect on December 31, 2016 Balance
General Fund	\$ 11,808	\$ (42,461)	\$ (30,653)
Special Revenue Fund	44,295	44,356	88,651

At December 31, 2015, the following funds had adjustments which the Township declined to make the following amounts:

Fund	December 31, 2015 Balance	Adjustments Not Made	Effect on December 31, 2015 Balance
General Fund	\$ 14,103	\$ (42,461)	\$ (28,358)
Special Revenue Fund	18,526	44,536	63,062

The Township has no formal plan for cash flow issues.

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

Jefferson Township  
Noble County  
38916 Sheep Skin Ridge Road  
Lower Salem, Ohio 43745

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 the cash balances, receipts, and disbursements by fund type of Jefferson Township, Noble County, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 23, 2017, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We issued an adverse opinion on the 2016 and 2015 financial statements due to the Township declining to make adjustments for mispostings from a prior year. We also noted the Township is experiencing financial difficulties,

**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 opinions 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2016-001 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, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 23, 2017.

### ***Township's Response to Finding***

The Township's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the Township's response and, accordingly, we express no opinion on it.

### **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.



**Charles E. Harris & Associates, Inc.**  
June 23, 2017

JEFFERSON TOWNSHIP  
NOBLE COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001 Material Weakness

**Posting of Receipts and Fund Balances**

Receipts should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund balances should be posted properly classified based on Governmental Accounting Standards Statement No. 54.

During 2016 and 2015, receipts and fund balances were not always posted correctly. The following posting errors were noted:

- Rollback/homestead receipts received from the State were not properly allocated to the proper funds according to the Apportionment sheet in 2016 or 2015;
- Rollback/homestead receipts received from the State were recorded as Property and Other Local Taxes instead of Intergovernmental receipts in 2016 and 2015;
- Fund balances for Road and Bridge were misclassified as Restricted instead of Committed in 2016 and 2015,

Not posting receipts, and fund balances accurately resulted in the financial statements requiring adjustments and reclassifications. The financial statements reflect all adjustments and reclassifications. The Township has made the adjustments to their accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all receipts, and fund balances are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to Ohio Administrative Code, the Ohio Township Handbook and Auditor of State guidance to determine the proper establishment of receipt and disbursement accounts and proper posting. The Fiscal Officer should refer to Auditor of State Bulletin 2011-004 for assistance in properly classifying fund balances.

**Managements' Response** – See Corrective Action Plan.

JEFFERSON TOWNSHIP  
NOBLE COUNTY  
For the Years Ended December 31, 2016 and 2015

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	STATUS	ADDITIONAL INFORMATION
2014-001	Contrary to <b>Ohio Rev. Code §5705.41 (D)</b> , the District issued Purchase Order after invoice date	Not fully corrected	Partially corrected reissued as a comment in the management letter

**JEFFERSON TOWNSHIP  
NOBLE COUNTY**

**CORRECTIVE ACTION PLAN  
DECEMBER 31, 2016 and 2015**

FINDING NUMBER	PLANNED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	RESPONSIBLE CONTACT PERSON
2016-001	Fiscal Officer will refer to the Township handbook and UAN manual to properly classify transactions	Immediately	Mary Guy, Fiscal Officer

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# Dave Yost • Auditor of State

**JEFFERSON TOWNSHIP**

**NOBLE 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  
SEPTEMBER 21, 2017**