



Dave Yost • Auditor of State



JEFFERSON TOWNSHIP  
CLINTON COUNTY

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# Dave Yost • Auditor of State

Jefferson Township  
Clinton County  
102 W. State Route 28  
Midland, Ohio 45148

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 19, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Jefferson Township  
Clinton County  
102 W. State Route 28  
Midland, Ohio 45148

To the Board of Trustees:

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

Except as described in the sixth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the eighth 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.

The Township did not provide sufficient documentation supporting the Miscellaneous receipts as recorded in the Special Revenue Fund Type. Without the evidential matter, we were not able to obtain sufficient assurances over completeness of the Special Revenue Fund Type Miscellaneous receipts nor were we able to satisfy ourselves through other auditing procedures. Miscellaneous receipts represent 13% each of Special Revenue total cash receipts for the years ending December 31, 2011 and December 31, 2010.

Ohio Rev. Code, Section 507.09 (prior to 10/27/11), required a township fiscal officer may be compensated from the township general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each fund. The fiscal officer's compensation was paid from the General Fund but the insurance premiums were paid from the Gas Fund during the time period of January 1, 2008 through March 2010. However, no documentation was presented to support the amount paid from the Gas Fund. Therefore, the insurance premiums should have been paid from the General Fund.

Ohio Rev. Code, Section 505.24(C), sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036. This section requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. The Township paid the Trustees' salaries entirely from the Gas Tax Fund instead of paying their administrative time from the General Fund for both 2011 and 2010.

The Township also incorrectly posted an intergovernmental receipt to the General Fund instead of the Motor Vehicle and License (MVL) Fund in 2011.

The Township has not agreed to the adjustments noted above and did not post them to the financial statements or accounting records.

The adjustment required to record these insurance premiums, salaries and receipts in the proper funds is as follows:

	<b>January 1, 2010</b>	<b>December 31, 2010</b>		<b>December 31, 2011</b>		
<b>Fund</b>	<b>Fund Balance</b>	<b>Expenditures</b>	<b>Fund Balance</b>	<b>Receipts</b>	<b>Expenditures</b>	<b>Fund Balance</b>
General	(\$24,249)	\$3,281	(\$27,530)	(\$524)	\$1,621	(\$29,675)
Gas Tax	\$24,249	(\$3,281)	\$27,530		(\$1,621)	\$29,151
MVL	\$0	\$0	\$0	524	\$0	\$524
Net	\$0	\$0	\$0	\$0	\$0	\$0

Also, in our opinion, because of the effects of the matters referred to in paragraphs seven through ten, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances of Jefferson Township, Clinton County, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Jefferson Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.



In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2012, on our consideration of the Government'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.

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**Dave Yost**  
Auditor of State

June 19, 2012

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**JEFFERSON TOWNSHIP  
CLINTON 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)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$10,752	\$66,486		\$77,238
Intergovernmental	156,357	141,764		298,121
Earnings on Investments	366	167	227	760
Miscellaneous	253	30,525		30,778
<i>Total Cash Receipts</i>	<u>167,728</u>	<u>238,942</u>	<u>227</u>	<u>406,897</u>
<b>Cash Disbursements</b>				
Current:				
General Government	23,970			23,970
Public Safety		56,582		56,582
Public Works		118,629		118,629
Health		9,135		9,135
Debt Service:				
Principal Retirement		12,783		12,783
Interest and Fiscal Charges		4,590		4,590
<i>Total Cash Disbursements</i>	<u>23,970</u>	<u>201,719</u>	<u>0</u>	<u>225,689</u>
<i>Excess of Receipts Over Disbursements</i>	<u>143,758</u>	<u>37,223</u>	<u>227</u>	<u>181,208</u>
<i>Fund Cash Balances, January 1</i>	<u>11,082</u>	<u>292,973</u>	<u>10,622</u>	<u>314,677</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	330,196	10,849	341,045
Unassigned (Deficit)	154,840	0	0	154,840
<i>Fund Cash Balances, December 31</i>	<u>\$154,840</u>	<u>\$330,196</u>	<u>\$10,849</u>	<u>\$495,885</u>

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

**JEFFERSON TOWNSHIP  
CLINTON 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>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$10,677	\$72,353	\$0	\$83,030
Intergovernmental	11,861	141,016		152,877
Earnings on Investments	295	187	259	741
Miscellaneous	536	33,119		33,655
	<u>23,369</u>	<u>246,675</u>	<u>259</u>	<u>270,303</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	32,738			32,738
Public Safety		54,954		54,954
Public Works		122,333		122,333
Health	3,837	6,276		10,113
Purchased Service			952	952
Conservation - Recreation	1,400			1,400
Other		2,607		2,607
Capital Outlay		47,656		47,656
Debt Service:				
Redemption of Principal		18,541		18,541
Interest and Other Fiscal Charges		6,482		6,482
	<u>37,975</u>	<u>258,849</u>	<u>952</u>	<u>297,776</u>
Total Receipts Over/(Under) Disbursements	<u>(14,606)</u>	<u>(12,174)</u>	<u>(693)</u>	<u>(27,473)</u>
Fund Cash Balances, January 1	<u>25,688</u>	<u>305,147</u>	<u>11,315</u>	<u>342,150</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$11,082</u></u></b>	<b><u><u>\$292,973</u></u></b>	<b><u><u>\$10,622</u></u></b>	<b><u><u>\$314,677</u></u></b>

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

**JEFFERSON TOWNSHIP  
CLINTON 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 the Jefferson Township, Clinton 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 Blanchester Community Services to provide ambulance services.

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

Public Entity Risk Pool:

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool, which is available to Ohio townships. 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.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

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

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

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

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

Emergency Levy Fund - This fund receives tax money to provide ambulance services.

Fire Levy Fund - This fund receives proceeds from the property tax fire levy for providing fire protection to the Township's residents..

**3. Permanent Funds**

These funds account 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 requires the principal to remain intact and interest earned on the principal to be used to maintain a particular cemetery.

**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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 carried over, and need not be reappropriated.

**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

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

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**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:

**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.

**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

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

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

**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:

	2011	2010
Demand deposits	\$485,685	\$304,477
Certificates of deposit	10,200	10,200
Other time deposits (savings and NOW accounts)		
Total deposits	495,885	314,677

**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, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
General	\$25,000	\$167,728	\$142,728
Special Revenue	212,714	238,942	26,228
Permanent	200	227	27
Total	\$237,914	\$406,897	\$168,983

2011 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,100	\$23,970	\$15,130
Special Revenue	328,500	201,719	126,781
Permanent	0	0	0
Total	\$367,600	\$225,689	\$141,911

2010 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
General	\$25,000	\$23,369	(\$1,631)
Special Revenue	246,000	246,675	675
Permanent	200	259	59
Total	\$271,200	\$270,303	(\$897)



**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

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

**3. Budgetary Activity (Continued)**

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,100	\$37,975	\$5,125
Special Revenue	375,000	258,849	116,151
Permanent	1,000	952	48
Total	\$419,100	\$297,776	\$121,324

**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.

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.

**5. Debt**

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Tank and Fire Truck Note	\$35,347	8%
Fire Truck Note	4,087	7%
Total	\$39,434	

On September 13, 2006, the former Clinton South Joint Fire District entered into a loan with the National Bank and Trust for the purchase of a fire truck. The District also had entered into a loan during 2004 for the purchase of a new tanker truck. These two loans were combined on September 13, 2006 and a new note was issued for the debt. The Township assumed this debt from the Clinton South Joint Fire District. The Township's taxing authority collateralized the note.

During 2008, the former Clinton South Joint Fire District entered into a loan with National Bank and Trust for the purchase of another fire truck. The Township assumed this debt from the Clinton South joint Fire District and the Township's taxing authority collateralized the note.

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

**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

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

**5. Debt (Continued)**

Year ending December 31:	Tank and Fire Truck Note	Fire Truck Note
2012	\$15,186	\$4,374
2013	15,186	
2014	15,186	
Total	\$45,558	\$4,374

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 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.

**7. Risk Management**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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.

**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

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

**7. 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, 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>2011</u>	<u>2010</u>
\$8,306	\$6,754

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.

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# 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  
Clinton County  
102 W. State Route 28  
Midland, Ohio 45148

To the Township Board of Trustees:

We have audited the financial statements of Jefferson Township, Clinton County, Ohio (the Township), as of and for the year ended December 31, 2011 and 2010, and have issued our report thereon dated June 19, 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. We also noted the Township charged the Fiscal Officer's insurance premiums and Trustees' administrative salaries to the Gas Tax Fund instead of the General Fund, as well as posted an intergovernmental receipt to the General Fund instead of the Motor Vehicle License Fund. Furthermore, we noted the Township was unable to provide supporting documentation for Special Revenue Miscellaneous receipts. Except as discussed in the preceding sentence, 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 findings 2011-001 through 2011-003 described in the accompanying schedule of findings to be material weaknesses.

### Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001 through 2011-003.

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 19, 2012.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Township. 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 19, 2012

**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-001**

**Noncompliance Citation/Material Weakness – Miscellaneous Receipts, Special Revenue Fund**

**Ohio Admin. Code, Section 117-2-01(D)** explains, in part, that when designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that records are properly designed and maintained.
- Ensure adequate security of records.
- Plan for adequate segregation of duties and compensating controls.
- Verify the existence and valuation of receipts and periodically reconcile them to the accounting records.

Internal controls over the Township's collection of miscellaneous receipts for the Special Revenue Fund were not in place and operating effectively.

The Township did not present records for all miscellaneous receipts in the Special Revenue Fund. For cemetery receipts, the Township did not provide duplicate receipts or other methods to record lot sales and grave openings. Accordingly, we were unable to obtain assurances for completeness of miscellaneous receipts.

Miscellaneous Receipts, which include cemetery related revenues, accounted for 13% of the Special Revenue receipts for the year ended December 31, 2011 and 13% for the year ended December 31, 2010.

Lack of controls and poor recordkeeping increases the risk that theft, fraud or errors could occur and not be detected in a timely manner.

We recommend the Township keep accurate and complete records of Miscellaneous Receipts, including cemetery lots that are sold and use duplicate receipts books, as well as, institute policies including proper supervision.

**FINDING NUMBER 2011-002**

**Noncompliance Citation/Material Weakness – Finding for Adjustments**

Ohio Rev. Code Section 507.09 (prior to 10/27/11) required a township fiscal officer may be compensated from the township general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each fund.

The fiscal officer's compensation was paid from the General Fund but the insurance premiums were paid from the Gas Fund during the time period of January 1, 2008 through March 2010. However, no documentation was presented to support the amount paid from the Gas Fund, therefore, the insurance premiums should have been paid from the General Fund.

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

During the 2008 and 2009 audit, the amount the Township paid for the fiscal officer's insurance premiums from the Gas Tax Fund instead of the General Fund, which is the fund from which the compensation is paid was \$24,249. The Township did not post an adjustment to correct this error to their financial statements or accounting records. Additionally, during the current audit, from January through March, 2010, the amount the Township paid for the fiscal officer's insurance premiums from the Gas Tax Fund instead of the General Fund was \$1,795 and also did not post an adjustment to correct this error to their financial statements or accounting records.

In accordance with the foregoing facts, we hereby issue a Finding for Adjustment against the Township's General Fund and in favor of the Township's Gas Tax Fund for funds illegally expended. The following table reflects the net effect of the finding for adjustment.

	General Fund	Gas Tax Fund
Audit Adjustment – 2008	(\$12,678)	\$12,678
Audit Adjustment – 2009	(11,571)	11,571
Audit Adjustment – 2010	( 1,795)	1,795
<b>Total Adjustment</b>	<b>(\$26,044)</b>	<b>\$26,044</b>

During 2011, the Township incorrectly posted a Motor Vehicle and License receipt (\$524) to the General Fund, instead of the Motor Vehicle and License Fund. The Township has not posted this adjustment to their financial statements or accounting records.

In accordance with the foregoing facts, we hereby issue a Finding for Adjustment against the Township's General Fund and in favor of the Township's Motor Vehicle and License Fund for funds illegally expended. The following table reflects the net effect of the finding for adjustment.

	General Fund	Motor Vehicle and License Fund
Audit Adjustment - 2011	(\$524)	\$524

We recommend the Township pay the fiscal officer's insurance premiums from the funds from which the fiscal officer's compensation is paid. We recommend that the Fiscal Officer take due care when posting transactions to ensure they are posted to the correct line items and to the proper funds. Additionally, the Board of Trustees should review the bank reconciliations, accounting records and financial statements.

**FINDING NUMBER 2011-003**

**Noncompliance Citation/Material Weakness – Finding for Adjustments**

**Ohio Rev. Code, Section 505.24(C)**, sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036. This section requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered.

During 2010 and 2011, the Township Trustees' salaries were paid entirely from the Gas Tax Fund. The Township prepared an Itemized Statement of Account which documented how they spent their time. These Accounts documented that approximately 94% of the Trustees' time was spend on work associated with roads, however the remaining 6% should have been allocated to the General Fund for administrative purposes.



**FINDING NUMBER 2011-003  
(Continued)**

In accordance with the foregoing facts, we hereby issue a Finding for Adjustment against the Township's General Fund and in favor of the Township's Gas Tax Fund for funds illegally expended. The following table reflected the net effect of the finding for adjustment.

	General Fund	Gas Tax Fund
Audit Adjustment – 2010	(\$1,486)	\$1,486
Audit Adjustment - 2011	(1,621)	1,621

We recommend that the Township pay the trustees from the funds from which they worked as documented on the Itemized Statement of Account.

**Officials' Response:**

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

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**JEFFERSON TOWNSHIP  
CLINTON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Ohio Admin. Code, Section 117-2-01(D), lack of controls and documentation over cemetery receipts	No	Reissued as Finding Number 2011-001
2009-002	Ohio Rev. Code, Section 505.60(A), the Township paid three month insurance premiums for an ineligible dependent. A finding for recovery was made.	Yes	
2009-003	Ohio Rev. Code, Section 507.04, the township did not keep accurate record of all its accounts and transactions. A finding for adjustment was made.	No	Partially corrected, reissued in management letter.

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# Dave Yost • Auditor of State

**JEFFERSON TOWNSHIP**

**CLINTON 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**