

***JEFFERSON TOWNSHIP  
MONTGOMERY COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2011 & 2010***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Dave Yost • Auditor of State

Board of Trustees  
Jefferson Township  
One Business Park Drive  
Dayton, Ohio 45427

We have reviewed the *Report of Independent Accountants* of Jefferson Township, Montgomery County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

October 30, 2012

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**JEFFERSON TOWNSHIP  
MONTGOMERY COUNTY  
For the Years Ending December 31, 2011 and 2010**

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***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Jefferson Township, Montgomery County  
One Business Park Drive  
Dayton, Ohio 45427

To the Board of Trustees:

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

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 that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township, as of December 31, 2011 and 2010, and its cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

As described in Note 4, during 2011 Jefferson Township, Montgomery County 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 August 6, 2012, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



*Charles E. Harris & Associates, Inc.*  
August 6, 2012



JEFFERSON TOWNSHIP  
MONTGOMERY COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES -  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Governmental Fund Types			Fiduciary Fund Types	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency Fund	
<b>Receipts:</b>					
Property and Other Local Taxes	\$ 116,225	\$ 1,401,416	-	-	\$ 1,517,641
Intergovernmental	238,990	418,837	-	-	657,827
Charges for Services	-	180,699	-	-	180,699
Fines, Licenses, Permits and Fees	70,598	2,346	-	-	72,944
Special Assessments	-	198,352	-	-	198,352
Miscellaneous	28,789	18,044	-	-	46,833
Total Receipts	<u>454,602</u>	<u>2,219,694</u>	<u>-</u>	<u>-</u>	<u>2,674,296</u>
<b>Disbursements:</b>					
Current:					
General Government	376,082	260,349	-	-	636,431
Public Safety	1,893	1,177,402	-	-	1,179,295
Public Health Services	-	3,233	-	-	3,233
Public Works	12,627	615,584	-	-	628,211
Capital Outlay	-	79,527	-	-	79,527
Debt Service:					
Redemption of Principal	11,000	68,595	-	-	79,595
Interest and Fiscal Charges	19,009	22,950	-	-	41,959
Total Disbursements	<u>420,611</u>	<u>2,227,640</u>	<u>-</u>	<u>-</u>	<u>2,648,251</u>
Total Receipts Over(Under) Disbursements	<u>33,991</u>	<u>(7,946)</u>	<u>-</u>	<u>-</u>	<u>26,045</u>
<b>Other Financing Receipts/(Disbursements)</b>					
Sale of Fixed Assets	4,645	-	-	-	4,645
Transfers-In	-	74,980	-	\$ 246	75,226
Transfers-Out	(75,226)	-	-	-	(75,226)
Advances-In	-	60,000	-	-	60,000
Advances-Out	(60,000)	-	-	-	(60,000)
Total Other Financing Receipts/(Disbursements)	<u>(130,581)</u>	<u>134,980</u>	<u>-</u>	<u>246</u>	<u>4,645</u>
Net Change in Fund Cash Balances	(96,590)	127,034	-	246	30,690
Fund Cash Balance 1/1/2011, Restated Note 4	<u>126,836</u>	<u>141,343</u>	<u>\$ 24,998</u>	<u>(246)</u>	<u>292,931</u>
Fund Cash Balances 12/31/2011					
Restricted	-	268,377	24,998	-	293,375
Unassigned	<u>30,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,246</u>
Fund Cash Balance 12/31/2011	<u>\$ 30,246</u>	<u>\$ 268,377</u>	<u>\$ 24,998</u>	<u>\$ -</u>	<u>\$ 323,621</u>

See accompanying Notes to the Financial Statements.

JEFFERSON TOWNSHIP  
MONTGOMERY COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES -  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Governmental Fund Types			Fiduciary Fund Types	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency Fund	
<b>Receipts:</b>					
Property and Other Local Taxes	\$ 106,844	\$ 1,124,324	-	-	\$ 1,231,168
Intergovernmental	150,152	466,364	-	-	616,516
Charges for Services	48,640	194,253	-	-	242,893
Fines, Licenses, Permits and Fees	1,936	5,970	-	-	7,906
Special Assessments	-	180,555	-	-	180,555
Interest	1	-	-	-	1
Miscellaneous	33,798	12,912	-	-	46,710
<b>Total Receipts</b>	<b>341,371</b>	<b>1,984,378</b>	<b>-</b>	<b>-</b>	<b>2,325,749</b>
<b>Disbursements:</b>					
Current:					
General Government	246,288	59,389	-	-	305,677
Public Safety	-	1,161,698	-	-	1,161,698
Public Health Services	-	249	-	-	249
Public Works	-	602,820	-	-	602,820
Conservation/Recreation	5,000	-	-	-	5,000
Capital Outlay	-	71,025	-	-	71,025
Debt Service:					
Redemption of Principal	11,000	78,826	-	-	89,826
Interest and Fiscal Charges	19,517	13,089	-	-	32,606
<b>Total Disbursements</b>	<b>281,805</b>	<b>1,987,096</b>	<b>-</b>	<b>-</b>	<b>2,268,901</b>
<b>Total Receipts Over(Under) Disbursements</b>	<b>59,566</b>	<b>(2,718)</b>	<b>-</b>	<b>-</b>	<b>56,848</b>
<b>Other Financing Receipts/(Disbursements)</b>					
Transfers-In	-	28,407	-	-	28,407
Transfers-Out	(28,407)	-	-	-	(28,407)
Advances-In	34,500	46,600	-	-	81,100
Advances-Out	(46,600)	(34,500)	-	-	(81,100)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(40,507)</b>	<b>40,507</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Receipts and Other Financing Receipts Over/(Under) Disbursements and Other Financing Disbursements	19,059	37,789	-	-	56,848
Fund Balance 1/1/2010	105,322	106,009	\$ 24,998	\$ (246)	236,083
<b>Fund Balance 12/31/2010</b>	<b>\$ 124,381</b>	<b>\$ 143,798</b>	<b>\$ 24,998</b>	<b>\$ (246)</b>	<b>\$ 292,931</b>

See accompanying Notes to the Financial Statements.

**JEFFERSON TOWNSHIP**  
**MONTGOMERY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Jefferson Township, Montgomery County (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by publicly-elected three-member Board of Trustees. The Township provides general governmental services, road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the Montgomery County Sheriff's Office to provide security of persons and property.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Township prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

The Township maintains an interest bearing checking account.

D. FUND ACCOUNTING

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**JEFFERSON TOWNSHIP**  
**MONTGOMERY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

- Police Fund – This fund receives property tax money to provide police protection for Township residents by contracting with the Montgomery County Sheriff’s Office.
- Fire Fund – This fund receives property tax money to provide fire protection services to Township residents.
- Road And Bridge Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.
- Miscellaneous Special Revenue Fund – This fund receives state and local grant monies for various projects.

Capital Projects Fund: These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Projects Fund:

- Permanent Improvement Fund – This fund received monies from note and bond proceeds and these funds were utilized for the construction of a new Township building and fire station.

Agency Fund: Agency fund is purely custodial in nature and is used to hold resources for individuals, organizations or other governments. The Township had the following significant Agency Fund:

- Burned Down Structures Fund – This fund receives monies from insurance companies and reimburses residents when their buildings are fixed.

**JEFFERSON TOWNSHIP**  
**MONTGOMERY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The certificate is approved by the county budget commission and sent to the Township Clerk by September 1.

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 5, do not include the unencumbered fund balances as of January 1, 2011 and 2010. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**JEFFERSON TOWNSHIP**  
**MONTGOMERY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

3. Encumbrances

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The Board approved appropriations at the entity-wide level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Township maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2011</u>	<u>2010</u>
Demand deposits	\$ 323,621	\$ 292,931

Deposits: Deposits are either insured by (1) the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**JEFFERSON TOWNSHIP**  
**MONTGOMERY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

3. PROPERTY TAX

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

The Montgomery County Treasurer collects property tax on behalf of all taxing townships within the county. The Montgomery County Auditor periodically remits to the taxing Township their portions of the taxes collected.

4. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Changes in Accounting Principle

For fiscal year 2011, the Township has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

**JEFFERSON TOWNSHIP**  
**MONTGOMERY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

4. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE – (Continued)

B. Restatement of Prior Year's Fund Balance

During the year ended December 31, 2011, it was determined that the Zoning Fund should be reported as General Fund instead of Special Revenue Funds.

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Fund Balance December 31, 2010	\$ 124,381	\$ 143,798
Fund Structure Change	<u>2,455</u>	<u>(2,455)</u>
Adjusted Fund Balance December 31, 2010	<u>\$ 126,836</u>	<u>\$ 141,343</u>

5. BUDGETARY ACTIVITY

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

<u>Fund</u>	<u>2011 Budgeted vs Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 372,855	\$ 459,247	\$ 86,392
Special Revenue Funds	1,980,637	2,294,674	314,037

<u>Fund</u>	<u>2011 Budgeted vs Actual Budgetary Basis Disbursements</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
Total Township Appropriations	\$ 2,270,261	\$ 2,723,477	\$ (453,216)

<u>Fund</u>	<u>2010 Budgeted vs Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 312,105	\$ 341,371	\$ 29,266
Special Revenue Funds	1,995,426	2,012,785	17,359

<u>Fund</u>	<u>2010 Budgeted vs Actual Budgetary Basis Disbursements</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
Total Township Appropriations	\$ 2,072,391	\$ 2,297,308	\$ (224,917)



**JEFFERSON TOWNSHIP**  
**MONTGOMERY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

6. RETIREMENT SYSTEM

The Township's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2011 and 2010, OPERS members contributed 10 percent of their wages. During 2011 and 2010 the Township contributed an amount equal to 14 percent of participants' gross wages. The Township has paid all contributions required through December 31, 2011.

7. SOCIAL SECURITY

Some of the Township's elected officials belong to the Social Security Administration and pay FICA taxes.

FICA contribution rates are approved by the United States Congress. Members of FICA contributed 6.2% of their wages to FICA. The Township also contributed an amount equal to 6.2% of their wages.

8. 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 Pool Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO.

Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**JEFFERSON TOWNSHIP**  
**MONTGOMERY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

8. RISK MANAGEMENT – (Continued)

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement OTARMA retains insured risks up to the amount specified in the contracts. At December 31, 2010 OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

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

At December 31, 2010 and 2009, respectively, liabilities above include approximately \$9.9 million and \$12.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$9.5 million 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. The Township's share of these unpaid claims collectible in future years is approximately \$33,183.

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.

**JEFFERSON TOWNSHIP**  
**MONTGOMERY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

8. RISK MANAGEMENT – (Continued)

Contributions to OTARMA

2011	\$44,842
2010	40,071

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.

9. DEBT

Debt outstanding at December 31, 2011 was as follow:

	<u>2011</u>	<u>Interest Rate</u>
Township Building Bonds	\$ 403,000	4.625%
Fire Station Bonds	269,000	4.625%
Fire Truck Lease	<u>197,679</u>	4.205%
Total	<u>\$ 869,679</u>	

The Township issued the two bonds to finance the construction of the Township Building and fire station. The Township entered into a capitalized lease for three (3) fire trucks during 2005. The beginning balance for the lease has been adjusted by \$7,588. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

**JEFFERSON TOWNSHIP**  
**MONTGOMERY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

9. DEBT – (Continued)

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

Year ending December 31:	General Obligation Bonds	Capitalized Lease
2012	\$ 71,450	\$ 71,313
2013	50,451	71,313
2014	50,451	71,313
2015	50,451	-0-
2016	50,451	-0-
2017 – 2021	252,255	-0-
2022 – 2026	252,255	-0-
2027 – 2031	252,255	-0-
2032	<u>51,451</u>	<u>-0-</u>
Total	<u>\$1,161,373</u>	<u>\$ 213,939</u>

10. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

11. BUDGETARY NONCOMPLIANCE

The Township had the following material citations for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41(B)**, the Township had expenditures that exceeded appropriations.
- Contrary to **Ohio Rev. Code Section 5705.38(C)**, the Township's annual appropriation measure did not set forth the amounts for each office, department, and division and the personal services for each.
- Contrary to **Ohio Rev. Code Section 5705.14**, the Township Board did not obtain court approval to transfer Permanent Improvement funds.

**JEFFERSON TOWNSHIP**  
**MONTGOMERY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

12. INTERFUND-TRANSFERS

During 2010 the Township made the following transfers:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ -0-	\$ 28,407
Special Revenue Funds:		
Police District	28,407	-0-
<b>Total</b>	<b>\$ 28,407</b>	<b>\$ 28,407</b>

During 2011 the Township made the following transfers:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ -0-	\$ 75,226
Special Revenue Fund:		
Road & Bridge Fund	67,602	-0-
Lighting District Fund	7,378	-0-
Agency Fund	246	-0-
<b>Total</b>	<b>\$ 75,226</b>	<b>\$ 75,226</b>

The transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Jefferson Township, Montgomery County  
One Business Park Drive  
Dayton, Ohio 45427

To the Township Board of Trustees:

We have audited the financial statements of Jefferson Township, Montgomery County (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 6, 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. Also, we noted the Township implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing procedures for the purpose of expressing our opinions 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 the internal control over financial reporting that we consider to be 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 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 and 2011-004 through 2011-007 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 such an opinion. The results of our tests disclosed several instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are disclosed in the schedule of findings as items 2011-002, 2011-003, 2011-005 and 2011-006.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

Also, we noted certain matters that we have reported to management of the Township in a separate letter dated August 6, 2012.

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



*Charles E. Harris & Associates, Inc.*

August 6, 2012

**JEFFERSON TOWNSHIP  
MONTGOMERY COUNTY**

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

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

**FINDING NUMBER 2011-001**

**Material Weakness - Bank Reconciliations**

The bank reconciliations at December 31, 2010 and 2011 were off by \$769 and \$1,111 respectively. The Township has two secondary accounts and they are being included in the reconciliations at the incorrect amount. The financial statements have been adjusted for both years and the Township has agreed and adjusted its records accordingly.

The monthly bank reconciliations should be presented and reviewed by someone other than the person performing the reconciliation, such as a member of the Township Trustees. The individual(s) should review the monthly reconciliations to provide assurance that the amounts reported are accurate and agree ending bank balances per the reconciliation to the bank statement. The individual(s) also should sign and date the reconciliations as evidence the review has been performed.

**Management's Response:**

The Township Trustees have indicated they will closely review the monthly bank reconciliations.

**FINDING NUMBER 2011-002**

**Ohio Rev. Code § 5705.38(C)** requires the Township's appropriation measure to be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.

The Township has established the legal level of control at the fund, function and object level, however, the Township's appropriation resolution did not set forth the amounts for each office, department, and division and the personal services for each.

We recommend that the Township expand its appropriation resolution to the department, division and the personal services for each.

**Management's Response:**

The Township will expand future appropriation resolutions to the department, division and the personal services for each.



**JEFFERSON TOWNSHIP  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2011 & 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</b>
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**FINDING NUMBER 2011-003  
Noncompliance Citation**

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

We noted that the Township had disbursements plus encumbrances that exceeded appropriations at December 31, 2011:

Fund	Approved Appropriations	Budgetary Disbursements	Variance
All Township Funds	\$ 2,270,261	\$2,723,477	\$ (453,216)

We noted that the Township had disbursements plus encumbrances that exceeded appropriations at December 31, 2010:

Fund	Approved Appropriations	Budgetary Disbursements	Variance
All Township Funds	\$ 2,072,391	\$2,297,308	\$ (224,917)

The Fiscal Officer should deny payment requests exceeding appropriations, as required by Ohio Rev. Code Section 5705.41(B). We recommend the Board and the Fiscal Officer compare expenditures to appropriations on a regular basis. If appropriations in addition to those already adopted will be needed, then the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

**Management’s Response:**

The Fiscal Officer will review budgetary requirements and implement as necessary.

**JEFFERSON TOWNSHIP  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2011 & 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</b>
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**FINDING NUMBER 2011-004**

**Material Weakness - Budgetary Entries in UAN System**

The budgetary entries in the UAN system did not reconcile with the amended certificates of estimated resources or approved appropriation resolutions passed by the Board of Trustees. Therefore, the Board cannot properly monitor Township disbursements and receipts and management cannot adequately monitor budgetary regulations. The audit report reflects the amounts approved by the Board.

We recommend that the Fiscal Officer post all budgetary information to the computer system on a regular basis. This will enhance the Township's ability to monitor all budgetary receipts and disbursements in comparison to actual receipts and disbursements.

**Management's Response:**

The Fiscal Officer will review budgetary requirements and implement as necessary.

**FINDING NUMBER 2011-005**

**Material Weakness - Noncompliance Citation**

Ohio Rev. Code Section 5705.14, states that "No transfer shall be made from one fund of a subdivision to any other fund, by order of the court or otherwise, except as follows:

- The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision; provided that if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.

The Township transferred money from the Permanent Improvement Fund to the General Fund in 2010. The Township did not obtain approval from the Montgomery County Common Pleas Court per **Ohio Revised Code Section 5705.14**. The transfers were adjusted in the financial statements and the Township's records.

**JEFFERSON TOWNSHIP  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2011 & 2010**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)**

**FINDING NUMBER 2011-005  
(Continued)**

We recommend the Township refer to the Ohio Revised Code Section 5705.14 prior to making transfers and make transfers accordingly.

**Management’s Response:**

The Township will obtain a court allowing the transfer of the fund permanent improvement fund balance to the General Fund.

**FINDING NUMBER 2011-006**

**Material Weakness – Noncompliance Citation – Missing Supporting Documentation**

**Ohio Rev. Code Section 149.43** states in part that “all public records shall be promptly prepared and made available for inspection to any member of the general public at all reasonable times during regular business hours.” “Record” for purposes of the public records law, means any document, device, or item, regardless of physical form or characteristic, created, received by or coming under the jurisdiction of any public office which serves to document the organization, functions, policies, decisions, procedures, operations, or other activities of the public office.

Further, Ohio Rev. Code Section 149.351 states that “all records are property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under the Ohio Rev. Code Sections 149.38 to 149.42”.

Supporting documentation, such as vendor invoices, was not available for disbursements of public monies for 10% of expenditures tested. The payments were determined to be for a proper public purpose by applying alternate procedures. Failure to retain public records could result in the Township’s inability to detect errors or irregularities in the normal course of business. The Township should maintain all supporting documents to allow the Township to demonstrate that expenditures meet the criteria of public purpose.

**Management’s Response:**

The Fiscal Officer will ensure that all supporting documents are properly maintained and filed.

**JEFFERSON TOWNSHIP  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2011 & 2010**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)**

**FINDING NUMBER 2011-007  
Material Weakness**

**Incorrect Accounting Transactions**

During the audit of the Township's financial records for the years ended December 31, 2011 and 2010, we noted a number of transactions incorrectly recorded. The financial statements and Township's records have been reclassified to present the accounting information correctly.

The Township has agreed with the required reclassifications. Below is a listing of the main erroneous accounting transactions:

- During 2011, proceeds from Montgomery County for the demolition of houses within the Township were originally classified as miscellaneous receipts. They were re-classified as intergovernmental receipts.
- During 2011, proceeds from the sale of several unused automobiles were originally classified as miscellaneous receipts. They were reclassified as sale of fixed assets.
- During 2011 and 2010, shared fees from the City of Dayton for refuse collections were originally classified as miscellaneous receipts. They were reclassified as intergovernmental receipts.

We recommend that the Township closely follow the Ohio Township Handbook and the Ohio Revised Code when recording transactions. We also recommend that the Fiscal Officer contact the Auditor of State for additional guidance as needed.

**Management's Response:**

The Fiscal Officer will follow the Ohio Township Handbook to correctly record all transactions.

JEFFERSON TOWNSHIP  
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-JTMC-001	Township did not properly prepare bank reconciliations.	No	Repeated as finding # 2011-001
2009-JTMC-002	Contrary to Ohio Rev. Code Section 5705.39, the Township had appropriations in excess of estimated resources.	Yes	No longer valid
2009-JTMC-003	Contrary to Ohio Rev. Code Section 5705.41(B), the Township had budgetary expenditures in excess of appropriations.	No	Repeated as finding # 2011-003
2009-JTMC-004	Contrary to Ohio Rev. Code Section 5705.10, the Township had negative fund cash balances.	No	Partially corrected. Moved to management letter
2009-JTMC-005	The Township did not correctly enter budgetary entries into the UAN System.	No	Repeated as finding # 2011-004
2009-JTMC-006	The Township had incorrect accounting entries.	No	Repeated as finding # 2011-007
2009-JTMC-007	The Township's Board failed to approve two transfer resolutions.	No	Repeated as finding # 2011-005
2009-JTMC-008	Contrary to Ohio Rev. Code 5705.38(c), the Board did not approve appropriations at the proper level of control.	No	Repeated as finding # 2011-002

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# Dave Yost • Auditor of State

**JEFFERSON TOWNSHIP**

**MONTGOMERY 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 13, 2012**