



Dave Yost • Auditor of State

JEFFERSON TOWNSHIP
MUSKINGUM COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Jefferson Township
Muskingum County
1595 Main Street
Dresden, Ohio 43821

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 15, 2014

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$15,131	\$41,248	\$16,607		\$72,986
Intergovernmental	9,495	168,806		\$14,194	192,495
Earnings on Investments	136	62			198
Miscellaneous	8,617	8,284			16,901
<i>Total Cash Receipts</i>	<u>33,379</u>	<u>218,400</u>	<u>16,607</u>	<u>14,194</u>	<u>282,580</u>
Cash Disbursements					
Current:					
General Government	26,352	2,125			28,477
Public Safety		24,954			24,954
Public Works		88,128			88,128
Capital Outlay		69,567		14,194	83,761
Debt Service:					
Principal Retirement			7,824		7,824
Interest and Fiscal Charges			8,783		8,783
<i>Total Cash Disbursements</i>	<u>26,352</u>	<u>184,774</u>	<u>16,607</u>	<u>14,194</u>	<u>241,927</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,027</u>	<u>33,626</u>	<u>0</u>	<u>0</u>	<u>40,653</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets		2,000			2,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>2,000</u>	<u>0</u>	<u>0</u>	<u>2,000</u>
<i>Net Change in Fund Cash Balances</i>	7,027	35,626	0	0	42,653
<i>Fund Cash Balances, January 1</i>	<u>4,474</u>	<u>157,350</u>	<u>0</u>		<u>161,824</u>
Fund Cash Balances, December 31					
Restricted		192,976			192,976
Unassigned (Deficit)	11,501				11,501
<i>Fund Cash Balances, December 31</i>	<u>\$11,501</u>	<u>\$192,976</u>	<u>\$0</u>	<u>\$0</u>	<u>\$204,477</u>

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

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$16,543	\$33,952	\$16,607	\$67,102
Intergovernmental	17,014	86,384		103,398
Earnings on Investments	166	79		245
Miscellaneous	1,987	6,934		8,921
<i>Total Cash Receipts</i>	<u>35,710</u>	<u>127,349</u>	<u>16,607</u>	<u>179,666</u>
Cash Disbursements				
Current:				
General Government	34,127			34,127
Public Safety		8,220		8,220
Public Works		139,773		139,773
Debt Service:				
Principal Retirement			4,530	4,530
Interest and Fiscal Charges			12,077	12,077
<i>Total Cash Disbursements</i>	<u>34,127</u>	<u>147,993</u>	<u>16,607</u>	<u>198,727</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,583</u>	<u>(20,644)</u>	<u>0</u>	<u>(19,061)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets		2,000		2,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>2,000</u>	<u>0</u>	<u>2,000</u>
<i>Net Change in Fund Cash Balances</i>	1,583	(18,644)	0	(17,061)
<i>Fund Cash Balances, January 1</i>	<u>2,891</u>	<u>175,994</u>	<u>0</u>	<u>178,885</u>
Fund Cash Balances, December 31				
Restricted		157,350		157,350
Unassigned (Deficit)	4,474			4,474
<i>Fund Cash Balances, December 31</i>	<u>\$4,474</u>	<u>\$157,350</u>	<u>\$0</u>	<u>\$161,824</u>

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

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Jefferson Township, Muskingum County, as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the Village of Dresden to provide both fire and ambulance services.

The Township participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management plan. Member governments pay annual premiums to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

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 has two deposit accounts (a checking account and a sweep account). The Township does not have any equity investments, bonds or certificates of deposit.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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 for constructing, maintaining, and repairing Township roads.

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining, and repairing township roads.

Fire District Fund - This fund receives tax money from two concurrent tax levies to pay for Fire and EMS services provided by the Village of Dresden.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

General Bond Retirement Fund - This fund receives property tax money to pay for the debt service requirements on the township building that is used to house road equipment, supplies, tools and the township's administrative offices.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

Township Park Improvement Fund - This fund accounts for grant monies received by the Township for improvements to the Township's park and shelter house.

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. Appropriations lapse at year end.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

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 approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

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

F. Fund Balance

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

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.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

5. Unassigned

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

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

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. Equity in Pooled Deposits

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

	2012	2013	
Demand deposits	\$161,824	\$204,477	

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. Budgetary Activity

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

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,104	\$33,379	\$2,275
Special Revenue	134,602	220,400	85,798
Debt Service	14,304	16,607	2,303
Capital Projects	14,194	14,194	0
Total	\$194,204	\$284,580	\$90,376

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

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

3. Budgetary Activity (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$34,816	\$26,352	\$8,464
Special Revenue	161,411	184,774	(23,363)
Debt Service	16,607	16,607	0
Capital Projects	14,194	14,194	0
Total	\$227,028	\$241,927	(\$14,899)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$29,378	\$35,710	\$6,332
Special Revenue	120,333	129,349	9,016
Debt Service	22,607	16,607	(6,000)
Total	\$172,318	\$181,666	\$9,348

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$36,098	\$34,127	\$1,971
Special Revenue	257,910	147,993	109,917
Debt Service	16,607	16,607	0
Total	\$310,615	\$198,727	\$111,888

Contrary to Ohio Rev. Code § 5705.41(B), the Township had expenditures in excess of appropriations of \$37,693 in the Gasoline Tax Fund for the year ending December 31, 2013 primarily as the result of CDBG grant activity not budgeted by the Township.

Contrary to Ohio Rev. Code §§ 5705.09 and 5705.10, the Township failed to establish the required debt service funds and capital project funds to account for activity related to the Township's debt and capital improvement projects paid for by restricted grants.

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.

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

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

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

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$210,646	4%

The Township issued general obligation bonds to finance the construction of a Township building. The Township's taxing authority collateralized the bonds.

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

Year ending December 31:	General Obligation Bonds
2014	\$16,359
2015	16,110
2016	16,110
2017	16,110
2018	16,110
2019-2023	80,552
2024-2028	80,552
2029-2031	48,331
Total	\$290,234

7. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

8. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

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

8. Risk Management (Continued)

Risk Pool Membership

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) [formerly known as the Ohio Government Risk Management Plan] (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to § 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2012 and 2013.

	2012	2013
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

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Dave Yost • Auditor of State

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

Jefferson Township
Muskingum County
1595 Main Street
Dresden, Ohio 43821

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Jefferson Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 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. We consider findings 2013-003 through 2013-005 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, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2013-001 through 2013-003.

Entity's Response to Findings

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.

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.



Dave Yost
Auditor of State

Columbus, Ohio

October 15, 2014

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code § 5705.09(C) requires each subdivision to establish a bond retirement fund into which it must pay sufficient revenues to retire serial bonds, notes and certificates of indebtedness at maturity. Ohio Rev. Code § 5705.10(B) requires all revenue derived from general or special levies for debt charges, whether within or in excess of the ten-mill limitation, which is levied for the debt charges on serial bonds, notes, or certificates of indebtedness having a life less than five years, shall be paid into the bond retirement fund.

In addition, Ohio Rev. Code § 5705.09(F) requires each subdivision to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Ohio Rev. Code § 5705.10(D) requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The County Auditor documented on the Township's tax apportionment sheets the amount of taxes to be distributed to a bond retirement fund for the repayment of Township bonds; however, the Township posted property tax receipts of \$16,607 in 2012 and \$8,304 in 2013 to the Road and Bridge Fund and made debt payments of \$16,607 in 2012 and \$8,304 in 2013 from the Road and Bridge Fund and \$8,304 in 2013 from the Gasoline Tax Fund. All of this activity should have been recorded in the debt service fund. In addition, the Township received grant monies of \$14,194 for capital projects related to improvements at the Township park; however, the Township recorded the associated receipts and expenditures in the General Fund rather than a capital projects fund as required.

Adjustments, to which Township management has agreed, have been made to the accompanying financial statements and budgetary activity note disclosure to properly reflect these activities in a bond retirement and capital projects fund.

We recommend the Township record receipts and expenditures pertaining to the bonded debt in a debt service fund. Property taxes should be posted to the Township's funds in accordance with the Semiannual Statement for the Apportionment of Taxes received from the Muskingum County Auditor with each tax settlement. We also recommend that restricted grants be accounted for in funds restricted for the purposes for which these grants are received. A capital projects fund should be used when grant monies are received for capital improvements being undertaken by the Township.

Officials' Response: The Township understands the finding and is taking corrective action moving forward.

FINDING NUMBER 2013-002

Noncompliance

Ohio Rev. Code § 5705.41(D) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-002 (Continued)

Noncompliance – Ohio Rev. Code § 5705.41(D) (Continued)

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively:

Then and Now Certificate - If the fiscal officer can certify that both at the time the contract or order was made "then" and at the time that the fiscal officer is completing the certification "now", that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the Township upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate - The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township utilized blanket certificates; however, there was no evidence that the Trustees have established a maximum amount a blanket certificate can be issued for. In addition, we noted 8 percent of purchases made were not properly certified prior to the obligation being incurred. We also noted one obligation that was not properly encumbered at year end for 2012.

Prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments received prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. In rare instances when prior certification is not possible, "then and now" certification may be used.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-002 (Continued)

Noncompliance – Ohio Rev. Code § 5705.41(D) (Continued)

We recommend the Township certify purchases to which § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include certification language § 5705.41(D) requires authorization of disbursements. The Fiscal Officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of § 5705.41(D) are satisfied. In addition, we recommend the Board of Trustees adopt a resolution establishing a maximum amount for blanket certificates.

Officials' Response: The Township understands the finding and is taking corrective action moving forward.

FINDING NUMBER 2013-003

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. In addition, Ohio Admin. Code § 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During 2013, the Township received a CDBG grant through Muskingum County for the purpose of paving and resurfacing the Township parking lot. The County paid \$69,567 directly to the contractor on-behalf of the Township. The Fiscal Officer did not post the grant receipts and the capital outlay expenditure to its financial records nor adopt additional appropriations for these expenditures.

As a result, receipts and disbursements were understated on the Township's financial records and financial statements for 2013. This also resulted in a violation of Ohio Rev. Code Section 5705.41(B) as this activity was not budgeted by the Board of Trustees.

The above noted adjustments were agreed to by the Township management and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer record all grant proceeds and the corresponding expenditures to the Township's financial records and, in turn, budget for such activity.

Officials' Response: The current fiscal officer was not elected at the time of this finding and has no comment on the issue other than to note that the finding is understood.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-004

Material Weakness

The time an employee works should be documented with a timesheet or other verifiable documentation. This documentation should be signed by the employee and the employee's supervisor for approval.

Fourteen percent of the Township's documentation of time worked for employees' payroll was not available for audit. Although we were able to gain necessary assurances through alternative testing procedures, the Township's failure to adequately maintain documentation of time worked could result in errors or irregularities occurring and remaining undetected.

We recommend that documentation of time worked be maintained on file for each pay. Documentation should be signed by the employee and the supervisor reviewing and approving the time sheet.

Officials' Response: The Township now certifies payroll on a monthly basis. All payroll from 2014 and forward has been certified and corrective action has been taken.

FINDING NUMBER 2013-005

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). By using these classifications, accounting records will provide the Township with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

During both 2013 and 2012, various receipts and disbursements were posted to improper accounts.

As a result, several entries with which the Township management agrees were made and reflected in the accompanying financial statements, and, where applicable, the accounting records in order to accurately reflect the Township's financial activity.

The errors for the year ended December 31, 2013 were as follows:

- The original General Fund balance of \$12,545 (prior to audit adjustments) was improperly classified as Unassigned instead of Assigned.
- In the General Fund, \$1,382 was improperly classified as a Special Item instead of as a Miscellaneous Receipt.
- Homestead and Rollback receipts in the amount of \$1,751 were improperly posted in the General Fund as Property Taxes instead of Intergovernmental Receipts.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-005 (Continued)

Material Weakness (Continued)

- A \$2,000 grant received from Muskingum County was improperly classified as a Miscellaneous Receipt instead of an Intergovernmental Receipt in the Gasoline Tax Fund.
- Homestead and Rollback receipts in the amount of \$2,759 in the Road and Bridge Fund were improperly posted as Property Taxes instead of Intergovernmental Receipts.
- Homestead and Rollback receipts in the amount of \$2,420 in the Fire District Fund were improperly posted as Property Taxes instead of Intergovernmental Receipts.
- Brine tank storage rental fees in the amount of \$1,500 were improperly posted to the General Bond Retirement Fund instead of as miscellaneous receipts in the Gasoline Tax Fund.

The errors for the year ended December 31, 2012 were as follows:

- Homestead and Rollback receipts in the amount of \$2,008 were improperly posted in the General Fund as Property Taxes instead of Intergovernmental Receipts.
- Retirement contributions totaling \$595 in excess of time spent on road activities was paid from the Gasoline Tax Fund rather than the General Fund.
- Property and Other Local Tax receipts in the amount of \$110 were improperly posted to the General Fund instead of the Fire District Special Revenue Fund.
- Homestead and Rollback receipts in the amount of \$2,835 in the Road and Bridge Fund were improperly posted as Property Taxes instead of Intergovernmental Receipts.
- Homestead and Rollback receipts in the amount of \$1,408 in the Fire District Fund were improperly posted as Property Taxes instead of Intergovernmental Receipts.
- Brine tank storage rental fees in the amount of \$6,000 were improperly posted to the General Bond Retirement Fund instead of as miscellaneous receipts in the Gasoline Tax Fund.

Failure to properly classify receipts and disbursements as to the appropriate classification could result in the financial statements being misleading.

We recommend the Fiscal Officer refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers and annual financial report in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts and disbursements.

Officials' Response: The Township understands the misclassification findings and will take corrective action moving forward. The Township Handbook will be closely examined moving forward.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

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

Finding Summary from Agreed Upon Procedures engagement for the years ended December 31, 2011 and 2010:	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Non-payroll Cash Disbursements – Ohio Rev. Code § 515.01, Finding for Adjustment: Street lighting and other utility costs totaling \$4,334 were paid from the Gasoline Tax Fund rather than the General Fund.	Yes.	N/A
Compliance – Budgetary: Budgeted resources recorded in the accounting system did not agree to the Amended Official Certificate of Estimated Resources.	Yes	N/A
Compliance – Budgetary: Appropriations adopted by the Board of Township Trustees did not agree to appropriations posted to the Township’s accounting system.	Yes	N/A
Compliance – Budgetary - Ohio Rev. Code §§ 5705.36(A)(5) and 5705.39: Appropriations exceeded certified estimated resources in certain funds.	Yes	N/A



Dave Yost • Auditor of State

JEFFERSON TOWNSHIP

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2014**