



Mary Taylor, CPA
Auditor of State

JEFFERSON TOWNSHIP
NOBLE COUNTY

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Mary Taylor, CPA
Auditor of State

Jefferson Township
Noble County
38295 Pumpkin Vine Ridge
Dexter City, Ohio 45727

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.

Mary Taylor

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Auditor of State

November 18, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Jefferson Township
Noble County
38295 Pumpkin Vine Ridge
Dexter City, Ohio 45727

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 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, 2008 and 2007 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, 2008 and 2007, 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 Jefferson Township, Noble County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2009, 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.



Mary Taylor, CPA
Auditor of State

November 18, 2009

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$3,552	\$5,679	\$9,231
Intergovernmental	11,134	98,389	109,523
Miscellaneous		108	108
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	14,686	104,176	118,862
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	12,147		12,147
Public Safety	565		565
Public Works	1,283	106,300	107,583
Debt Service:			
Redemption of Principal		6,124	6,124
Interest and Fiscal Charges		746	746
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	13,995	113,170	127,165
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	691	(8,994)	(8,303)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	1,296	40,590	41,886
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$1,987</u>	<u>\$31,596</u>	<u>\$33,583</u>

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

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$3,107	\$6,378	\$9,485
Intergovernmental	6,724	101,752	108,476
Charges for Services		200	200
Miscellaneous	41	376	417
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	9,872	108,706	118,578
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	11,951		11,951
Public Safety	565		565
Public Works	820	115,938	116,758
Health		205	205
Debt Service:			
Redemption of Principal		6,123	6,123
Interest and Fiscal Charges		942	942
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	13,336	123,208	136,544
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(3,464)	(14,502)	(17,966)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts and (Disbursements):			
Transfers-In		33,573	33,573
Transfers-Out		(33,573)	(33,573)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	0	0	0
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(3,464)	(14,502)	(17,966)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	4,760	55,092	59,852
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$1,296</u>	<u>\$40,590</u>	<u>\$41,886</u>

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

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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, Noble County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with Caldwell Volunteer Fire Department to provide fire protection.

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. Fund Accounting

The Township uses fund accounting to segregate cash that is 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.

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 Fund:

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

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

E. 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:

	<u>2008</u>	<u>2007</u>
Demand deposits	<u>\$33,583</u>	<u>\$41,886</u>

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

3. Budgetary Activity

Budgetary activity for the years ending 2008 and 2007 follows:

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$10,050	\$14,686	\$4,636
Special Revenue	101,265	104,176	2,911
Total	\$111,315	\$118,862	\$7,547

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$14,504	\$13,995	\$509
Special Revenue	134,170	113,170	21,000
Total	\$148,674	\$127,165	\$21,509

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$9,490	\$9,872	\$382
Special Revenue	99,070	142,279	43,209
Total	\$108,560	\$152,151	\$43,591

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$13,046	\$13,336	(\$290)
Special Revenue	146,543	156,781	(10,238)
Total	\$159,589	\$170,117	(\$10,528)

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the General Fund by \$290, for the year ended December 31, 2007. Also there were several line items in the General, Motor Vehicle License Tax, Gasoline Tax and Road and Bridge funds, in 2007 and 2008 that had expenditures exceeding appropriations.

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.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. Property Tax (Continued)

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, 2008 was as follows:

	Principal	Interest Rate
Equipment Note	\$12,247	3.75%

The Township issued an equipment note in 2005 to finance the purchase of a new Massey Ferguson 492-4WD tractor for Township road purposes. The note is collateralized solely by the Township's taxing authority.

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

Year ending December 31:	Equipment Note
2009	\$6,583
2010	6,353
Total	\$12,936

6. 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 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

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.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Management (Continued)

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006 (the latest information available):

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Management (Continued)

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$2,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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>	
2006	\$2,993
2007	\$2,098
2008	\$2,197

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.



Mary Taylor, CPA

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
Noble County
38295 Pumpkin Vine Ridge
Dexter City, Ohio 45727

To the Board of Trustees:

We have audited the financial statements of Jefferson Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated November 18, 2009, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-004 through 2008-006 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2008-004 and 2008-006 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated November 18, 2009.

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 that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2008-001 through 2008-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 18, 2009.

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



Mary Taylor, CPA
Auditor of State

November 18, 2009

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-001

Noncompliance Citation

Ohio Rev. Code Section 5705.10(D) states that 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.

During 2008, the Fiscal Officer recorded gasoline excise tax in the General Fund instead of the Gasoline Tax Fund in the amount of \$2,499. As a result, an adjustment, with which the Township's management agrees, was made to the financial statements and ledgers, and is reflected in the accompanying financial statements.

We recommend the Fiscal Officer review Ohio Rev. Code Section 5705.10 to ensure monies are being posted to the correct funds.

FINDING NUMBER 2008-002

Noncompliance Citation

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

At December 31, 2008, expenditures exceeded appropriations at the legal level of control as follows:

<u>Fund/Line Item</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
1000-110-213-0000	\$ 0	\$ 143	\$ (143)
2021-330-190-0000	18,311	21,447	(3,136)
2021-330-230-0000	2,000	2,220	(220)
2021-330-420-0000	10,000	15,422	(5,422)
2021-710-420-0000	16,408	17,888	(1,480)

At December 31, 2007, expenditures exceeded appropriations in the following fund:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 13,046	\$ 13,336	\$ (290)

At December 31, 2007, expenditures exceeded appropriations at the legal level of control as follows:

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2008-002
(Continued)**

Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)

<u>Fund/Line Item</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
1000-110-211-0000	\$ 800	\$ 1,085	\$ (285)
1000-110-213-0000	0	140	(140)
1000-110-490-0000	0	45	(45)
1000-330-111-0000	277	1,097	(820)
2011-330-211-0000	1,000	1,300	(300)
2011-330-420-0000	2,500	5,450	(2,950)
2021-330-111-0000	14,641	16,459	(1,818)
2021-330-211-0000	4,000	6,450	(2,450)
2021-330-230-0000	1,000	2,123	(1,123)
2021-330-420-0000	5,000	7,893	(2,893)
2021-710-420-0000	30,000	36,990	(6,990)
2031-330-351-0000	350	718	(368)
2031-330-381-0000	1,000	1,325	(325)

The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Township.

We recommend the Board of Trustees and Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

FINDING NUMBER 2008-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) 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.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2008-003
(Continued)**

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (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 Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate - If the fiscal officer can certify that both at the time that 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 previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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.

2. 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 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.
3. 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 exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not certify the availability of funds prior to purchase commitment for 55 percent of the expenditures tested in 2007 and 55 percent of the expenditures tested in 2008, and there was no evidence the Township followed the aforementioned exceptions. Without these certifications, the management of the Township lost budgetary control over expenditures, and this condition could allow noncompliance with Ohio Revised Code section 5705.41(B) to occur.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2008-003
(Continued)**

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive 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. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Ohio Rev. Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2008-004

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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Township misclassified and misposted tax receipts, intergovernmental receipts, charges for services, debt payments, and other various receipts and disbursements to the Township receipt and disbursement ledgers and to the annual financial report in the amounts of \$16,708 and \$13,372 for 2008 and 2007, respectively.

In addition, there were fund balance adjustments made by the Fiscal Officer that were incorrect. There were differences between the amounts posted to the UAN system and the amounts that cleared the bank for various transactions. The Fiscal Officer did not post receipts to the UAN system until the end of the month, and the bank reconciliations rarely reconciled. Monthly bank reconciliations contained adjusting factors ranging from \$1,464 to \$10,551 throughout the audit period. These adjusting factors were due to the various errors noted above. These misstatements had the following net effect on the Township's financial statements as of December 31, 2008:

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

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

**FINDING NUMBER 2008-004
(Continued)**

Material Weakness (Continued)

Fund	UAN Fund Balance 12/31/08	Audited Fund Balance 12/31/2008	Adjustment
General	\$ 6,641	\$ 1,987	\$ (4,654)
Motor Vehicle License Tax	2,259	2,235	(24)
Gasoline Tax	27,848	19,883	(7,965)
Road and Bridge	3,394	7,473	4,079
Cemetery	351	551	200

These misstatements were caused by management oversight. As a result, significant adjustments and reclassifications, with which the Township's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

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 in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts and expenditures. We further recommend the Fiscal Officer post receipts to the UAN system when the money is received and agree check amounts that cleared the bank to the amounts posted to the UAN system. Any adjusting factors on the monthly bank reconciliations should be investigated and supported by appropriate documentation.

FINDING NUMBER 2008-005

Significant Deficiency

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2008, appropriations as approved by the Board of Trustees did not agree to the Township's ledgers and notes to the financial statements for the following fund:

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-005 (Continued)

Significant Deficiency (Continued)

<u>Fund</u>	<u>Appropriations Per Board of Trustees</u>	<u>Amounts Per Township Reports</u>	<u>Variance</u>
Cemetery	\$ 7,023	\$ 4,923	\$ 2,100

At December 31, 2007, appropriations as approved by the Board of Trustees did not agree to the Township's ledgers and notes to the financial statements for the following funds:

<u>Fund</u>	<u>Appropriations Per Board of Trustees</u>	<u>Amounts Per Township Reports</u>	<u>Variance</u>
General	\$ 13,046	\$ 13,546	\$ (500)
Gasoline Tax	122,464	117,964	4,500

At December 31, 2007, estimated resources as approved by the Budget Commission did not agree to the Township's ledgers and notes to the financial statements for the following funds:

<u>Fund</u>	<u>Estimated Resources Per Budget Commission</u>	<u>Amounts Per Township Reports</u>	<u>Variance</u>
Motor Vehicle License Tax	\$ 12,470	\$ 120,470	\$(108,000)
Gasoline Tax	80,000	755,000	(675,000)
Cemetery	0	445	(445)

The Fiscal Officer posted supplemental appropriations to several line items in 2007 and 2008 that were not approved by the Board of Trustees. This caused expenditures to exceed appropriations in several line items in 2007 and 2008. Without information properly entered into the system, the management of the Township lost some degree of budgetary control. This also resulted in audit adjustments to the budgetary note disclosure.

We recommend the Fiscal Officer take due care in posting estimated resources and only post approved appropriations to the accounting system. We further recommend the Board of Trustees approve all supplemental appropriations in the minutes and the Fiscal Officer post them only after approval by the Board.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-006

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls. The Board of Trustees should perform procedures to monitor the financial activity of the Township.

The small size of the Township's staff did not allow for an adequate segregation of duties; the Fiscal Officer performed all accounting functions. It is therefore important that the Board of Trustees function as a finance committee to monitor financial activity closely. Vouchers were approved at each meeting; however, there was no documentation of the extent to which the Board of Trustees reviewed financial reports, bank reconciliations and records to monitor financial activity of the Township. Additionally, as described in finding 2008-004, several audit adjustments and reclassifications were required to the Township's financial statements.

This could result in unauthorized expenditures, the ledgers of the Township not being posted up-to-date, errors in the reconciliations, and errors and omissions occurring in the Township's annual report without the timely knowledge of the Board of Trustees.

We recommend financial information be presented to the Board of Trustees on a monthly basis. This information should include vouchers for payment, reconciliations, as well as revenue and expenditure activity and balance reports. These reviews should be documented in the minutes of the Board of Trustees meetings.

Officials' Response: We did not receive a response from Officials to the findings reported above.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-JT-001	Ohio Rev. Code Section 5705.41(B) – expenditures exceeded appropriations at December 31, 2005 in two funds and at December 31, 2006 in one fund.	No	Not Corrected. Reissued in the Schedule of Findings as item 2008-002.
2006-JT-002	Ohio Rev. Code Section 5705.41(D) – expenditures tested in 2005 and 2006 were not properly encumbered.	No	Not Corrected. Reissued in the Schedule of Findings as item 2008-003.
2006-JT-003	The Township had a serious lack of control and direction regarding the accounting system and overall fiscal management.	No	Not Corrected. Reissued in the Schedule of Findings as items 2008-004 through 2008-006 and the management letter.
2006-JT-004	Bank statements and fund balances were not reconciled to zero or an easily identifiable difference. Once the reconciliations were performed in 2007, the 2006 differences totaled \$9,386 and the 2005 differences totaled \$930. Also there were 11 and 12 individual discrepancies not identified until the audit was performed for 2006 and 2005.	No	Not Corrected. Reissued in the Schedule of Findings as item 2008-004.
2006-JT-005	Ohio Rev. Code Section 5705.10 – gasoline tax in the amount of \$2,806, was improperly recorded to the General Fund instead of the required Gasoline Tax Fund.	No	Not Corrected. Reissued in the Schedule of Findings as item 2008-001.
2006-JT-006	The Township did not consistently post revenue and expenditure transactions to the proper fund and/or line account within the accounting system.	No	Not Corrected. Reissued in the Schedule of Findings as item 2008-004.



Mary Taylor, CPA
Auditor of State

JEFFERSON TOWNSHIP

NOBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 8, 2009**