

Jefferson Township  
Scioto County  
Regular Audit  
For the Years Ended December 31, 2011 and 2010



Millhuff-Stang, CPA, Inc.  
1428 Gallia Street, Suite 2  
Portsmouth, Ohio 45662  
Phone: 740.876.8548 ■ Fax: 888.876.8549  
Website: [www.milhuffstangcpa.com](http://www.milhuffstangcpa.com) ■ Email: [natalie@milhuffstangcpa.com](mailto:natalie@milhuffstangcpa.com)





# Dave Yost • Auditor of State

Board of Trustees  
Jefferson Township  
72 Borders Road  
Lucasville, Ohio 45648

We have reviewed the *Independent Auditor's Report* of Jefferson Township, Scioto County, prepared by Millhuff-Stang, CPA, 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 *Independent Auditor's Report* 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 *Independent Auditor's Report* 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 2, 2012

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**Scioto County**  
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**Independent Auditor's Report**

Board of Trustees  
Jefferson Township  
Scioto County  
72 Borders Road  
Lucasville, Ohio 45648

We have audited the accompanying financial statements of Jefferson Township, Scioto 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 governments 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.

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

As described in Note 9, during 2011, the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

June 8, 2012



**Jefferson Township**  
**Scioto County**  
*Combined Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2011*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$61,115	\$297,227	\$358,342
Licenses, Permits, and Fees	15,278	0	15,278
Intergovernmental	21,513	207,693	229,206
Earnings on Investments	27	0	27
Miscellaneous	1,204	1,573	2,777
<b>Total Cash Receipts</b>	<b>99,137</b>	<b>506,493</b>	<b>605,630</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	85,513	0	85,513
Public Safety	0	118,965	118,965
Public Works	0	229,635	229,635
Health	2,700	0	2,700
Human Services	0	4,698	4,698
Capital Outlay	0	124,570	124,570
<b>Debt Service:</b>			
Redemption of Principal	0	40,685	40,685
Interest and Other Fiscal Charges	0	3,230	3,230
<b>Total Cash Disbursements</b>	<b>88,213</b>	<b>521,783</b>	<b>609,996</b>
<b>Total Cash Receipts Over Cash Disbursements</b>	<b>10,924</b>	<b>(15,290)</b>	<b>(4,366)</b>
<b>Fund Cash Balances, January 1</b>	<b>5,264</b>	<b>383,923</b>	<b>389,187</b>
<b>Fund Cash Balances, December 31</b>			
<b>Restricted for:</b>			
Emergency Medical Services	0	34,401	34,401
Fire Operations	0	155,243	155,243
Recreation Programs	0	15,529	15,529
Road and Bridge Maintenance and Improvements	0	66,884	66,884
<b>Committed to:</b>			
Road and Bridge Maintenance and Improvements	0	96,576	96,576
Unassigned	16,188	0	16,188
<b>Fund Cash Balances, December 31</b>	<b>\$16,188</b>	<b>\$368,633</b>	<b>\$384,821</b>

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

**Jefferson Township**  
**Scioto County**  
*Combined Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2010*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$57,512	\$247,193	\$304,705
Licenses, Permits, and Fees	15,818	0	15,818
Intergovernmental	22,845	155,280	178,125
Earnings on Investments	2	0	2
Miscellaneous	3,302	2,309	5,611
<b>Total Cash Receipts</b>	<b>99,479</b>	<b>404,782</b>	<b>504,261</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	111,851	0	111,851
Public Safety	0	115,176	115,176
Public Works	0	174,699	174,699
Health	4,050	0	4,050
Human Services	0	20,215	20,215
Capital Outlay	0	34,711	34,711
<b>Debt Service:</b>			
Redemption of Principal	0	39,155	39,155
Interest and Other Fiscal Charges	0	4,760	4,760
<b>Total Cash Disbursements</b>	<b>115,901</b>	<b>388,716</b>	<b>504,617</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>(16,422)</b>	<b>16,066</b>	<b>(356)</b>
Fund Cash Balances, January 1	21,686	367,857	389,543
Fund Cash Balances, December 31	<u>\$5,264</u>	<u>\$383,923</u>	<u>\$389,187</u>

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

**Jefferson Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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**Note 1 – Summary of Significant Accounting Policies**

**Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Jefferson Township, Scioto County (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general road and bridge services, including road and bridge maintenance (public works) and fire protection (public safety).

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is: Ohio Township Association Risk Management Authority (OTARMA) – This is a risk sharing pool available to all Townships for property and casualty insurance coverage.

The Township contracts with Minford Emergency Ambulance Services, Inc, for ambulance services.

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

**Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State of Ohio 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.

**Cash**

The Township maintains its cash pool in an interest-bearing checking account with a local commercial bank.

**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:

*General Fund*

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

*Special Revenue Funds*

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

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

**Jefferson Township**  
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*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

*Special Revenue Funds (Continued)*

Road and Bridge Fund - This fund receives tax money for the repairs and upkeep of the Township's roads.

Fire Fund - This fund receives tax money for providing fire protection services.

Firehouse & Equipment Fund – This fund receives tax money for the maintenance of the firehouse and fire equipment.

**Budgetary Process**

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

*Appropriations*

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

*Estimated Resources*

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

*Encumbrances*

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are cancelled and re-appropriated in the subsequent year.

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

**Fund Balances**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

*Restricted* – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Jefferson Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

*Committed* – Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

*Assigned* – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by the Township Trustees or a Township official delegated that authority by resolution, or by State statute.

*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.

**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.

**Note 2 – Equity in Pooled Cash**

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

	2011	2010
Demand Deposits	\$384,821	\$389,187

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

**Jefferson Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2011 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$93,232	\$99,137	\$5,905
Special Revenue	461,686	506,493	44,807
Total	\$544,918	\$605,630	\$50,712

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$93,232	\$88,213	\$5,019
Special Revenue	846,721	521,783	324,938
Total	\$939,953	\$609,996	\$329,957

Budgetary activity for the year ending December 31, 2010 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$87,766	\$99,479	\$11,713
Special Revenue	375,648	404,782	29,134
Total	\$463,414	\$504,261	\$40,847

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$122,344	\$115,901	\$6,443
Special Revenue	730,542	388,716	341,826
Total	\$852,886	\$504,617	\$348,269

Contrary to Ohio Revised Code Section 5705.41(B), the Township had expenditures in excess of appropriations in 2010 and 2011.

Contrary to Ohio Revised Code Section 5705.38(A), the Township did not pass the annual appropriations before the required date in 2010 and 2011.

Contrary to Ohio Revised Code Section 5705.39, the Township had appropriations in excess of estimated resources in 2010.

**Note 4 – Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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.

**Jefferson Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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**Note 4 – Property Taxes (Continued)**

Public utilities are also taxed on personal and real property located within the Township.

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

**Note 5 – Debt**

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Firehouse	\$ 29,400	0.00%
Fire Truck	33,742	4.90%
Total	\$63,142	

The Township issued Ohio Department of Commerce – Small Government Fire Department Services Revolving Loan Program debt to finance the building of a new firehouse.

The Township issued a Promissory Note with Oak Hill Banks to purchase a fire truck in 2007. The first payment was due on April 27, 2008.

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

Year Ending December 31:	Ohio Department of Commerce	Oak Hill Banks
2012	\$8,400	\$35,515
2013	8,400	0
2014	8,400	0
2015	4,200	0
Total	\$29,400	\$35,515

**Note 6 – Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2011.

**Jefferson Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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**Note 7 – Risk Management**

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

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

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township contracted with 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, including loss adjustment expenses. 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 \$13,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to the annual aggregate limit of \$10,000,000.

Property Coverage

The Travelers Indemnity Company reinsures specific losses exceeding \$500,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of the Pools retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600,000,000 per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$50,000 excess \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverages to the Pools.

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 township.

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, 2011 and 2010:



**Jefferson Township**  
**Scioto County**  
*Notes to the Financial Statements*  
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**Note 7 – Risk Management (Continued)**

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 million and \$9.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$8.6 million and \$9.5 million of unpaid claims to be billed to 938 member governments in the future, as of December 31, 2011 and 2010, 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 is approximately \$27,558.

Based on discussions with OTARMA the expected rates charged by OTARMA 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 liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the years ending December 31, 2011 and 2010 were \$13,779 and \$11,634, respectively.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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.

**Note 8 – Change in Accounting Principles**

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", which the Township has implemented for the year ended December 31, 2011. This pronouncement does not affect the calculation of the Township's fund balance but does shift the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in funds can be spent (See Note 1). Fund balances have been classified in the financial statements, as applicable, for the year ended December 31, 2011 in accordance with this pronouncement. This pronouncement also requires that certain funds previously reported as Special Revenue Funds by reclassified to the General Fund. The Township has no funds that required fund reclassification.

**Note 9 – Contingent Liabilities**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Trustees  
Jefferson Township  
Scioto County  
72 Borders Road  
Lucasville, Ohio 45648

We have audited the financial statements of Jefferson Township, Scioto County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 8, 2012 wherein we noted the Township followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We also noted, for the year ended December 31, 2011, the Township adopted Governmental Accounting Standards 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 Control Over Financial Reporting**

Management of the Township is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion 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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. This item is identified as finding 2011-001.

Jefferson Township  
Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2011-002, 2011-003, and 2011-004.

We noted certain matters that we reported to management of the Township in a separate letter dated June 8, 2012.

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

This report is intended solely for the information and use of management, the Board of Trustees, and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

June 8, 2012

**Jefferson Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2011 and 2010*

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

**Material Weakness – Misstatements in the Financial Statements**

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township's financial statements. During 2011 and 2010, the Township erroneously posted receipts, debt payments, and non-payroll disbursements to the incorrect accounts, and, in certain instances, incorrect funds. This required reclassifications and adjustments to properly present the activity of the Township for both years. The Township should implement additional monitoring procedures to ensure receipts are properly recorded.

**Township Response:**

The Township chose not to respond.

**Finding Number 2011-002**

**Noncompliance Citation – Ohio Revised Code Section 5705.41 (B)**

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township did not pass the annual appropriation before the required date in 2011 and 2010. However, expenditures were made prior to adoption of appropriations measures in 2011 and 2010. Failure to have appropriations in place prior to expenditure of funds subjects the Township to the risk of unauthorized or improper spending. The Township should ensure that appropriations are in place prior to expenditure of funds.

**Township Response:**

The Township chose not to respond.

**Finding Number 2011-003**

**Noncompliance Citation – Ohio Revised Code Section 5705.38(A)**

Ohio Revised Code Section 5705.38 (A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Board of Township Trustees did not pass and file an appropriation measure for 2011 and 2010 timely or prior to expenditure of funds. This resulted in expenditures excess of appropriations and could have resulted in overspending or unauthorized or improper expenditure of funds.

We recommend that on or about the first day of each fiscal year, the Board of Township Trustees adopt a resolution approving the annual appropriations measure at the fund, function and object level and document the resolution in the minute record. If the Township prefers to pass annual appropriations upon receipt of an amended certificate from the County, the Township should adopt a temporary measure to cover ordinary expenditures that may occur until the annual appropriation measure is passed.

**Township Response:**

The Township chose not to respond.

**Jefferson Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2011 and 2010*

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**Finding Number 2011-004**

**Noncompliance Citation – Ohio Revised Code Section 5705.39**

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Township's appropriations exceeded estimated resources in the General, Senior Community Center, and Fire Building Funds in 2010 by \$12,892, \$5,787, and \$10,500, respectively.

The Township should implement appropriate monitoring procedures to ensure that appropriations do not exceed the amount of estimated resources.

**Township Response:**

The Township chose not to respond.

**Jefferson Township**  
**Scioto County**  
*Schedule of Prior Audit Findings*  
*For the Years Ended December 31, 2011 and 2010*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
Finding 2009-001	Material Weakness – Misstatements in Financial Statements	No	Reissued as Finding 2011-001
Finding 2009-002	Noncompliance Citation – Ohio Revised Code Section 5705.41 (D)	No	Reissued in management letter



# Dave Yost • Auditor of State

**JEFFERSON TOWNSHIP**

**SCIOTO 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  
OCTOBER 16, 2012**