



Dave Yost • Auditor of State

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Fiduciary Fund Type - For the Year Ended December 31, 2015	6
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014	7
Notes to the Financial Statements	9
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings	24

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Jefferson Township
Montgomery County
One Business Park Drive
Dayton, Ohio 45417

To the Board of Township Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Jefferson Township, Montgomery County, (the Township) as of and for the years ended December 31, 2015 and 2014.

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 Section 117.38 and Ohio Administrative Code Section 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 opinions.

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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2015 and 2014, 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, Montgomery County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the January 1, 2014 fund balances were restated. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

November 17, 2016

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**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$98,479	\$1,158,927		\$1,257,406
Charges for Services		196,120		196,120
Licenses, Permits and Fees	37,188	746		37,934
Fines and Forfeitures	3,452			3,452
Intergovernmental	83,185	380,967		464,152
Special Assessments	208,688	14,555		223,243
Miscellaneous	13,929	22,173		36,102
<i>Total Cash Receipts</i>	<u>444,921</u>	<u>1,773,488</u>		<u>2,218,409</u>
Cash Disbursements				
Current:				
General Government	429,979			429,979
Public Safety		1,251,067		1,251,067
Public Works		298,497		298,497
Health		1,111		1,111
Human Services		167		167
Other	6,940			6,940
Capital Outlay		53,277		53,277
Debt Service:				
Principal Retirement	13,000	45,614		58,614
Interest and Fiscal Charges	16,766	14,027		30,793
<i>Total Cash Disbursements</i>	<u>466,685</u>	<u>1,663,760</u>		<u>2,130,445</u>
<i>Net Change in Fund Cash Balances</i>	(21,764)	109,728		87,964
<i>Fund Cash Balances, January 1</i>	<u>77,633</u>	<u>733,515</u>	<u>\$24,998</u>	<u>836,146</u>
Fund Cash Balances, December 31				
Restricted		843,243	24,998	868,241
Assigned	55,869			55,869
<i>Fund Cash Balances, December 31</i>	<u>\$55,869</u>	<u>\$843,243</u>	<u>\$24,998</u>	<u>\$924,110</u>

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

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Agency</u>
Operating Cash Receipts	
Miscellaneous	<u>\$25,684</u>
<i>Total Operating Cash Receipts</i>	<u>25,684</u>
Operating Cash Disbursements	
Contractual Services	<u>8,684</u>
<i>Total Operating Cash Disbursements</i>	<u>8,684</u>
<i>Net Change in Fund Cash Balances</i>	17,000
<i>Fund Cash Balances, January 1</i>	<u>0</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$17,000</u></u>

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

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$94,159	\$1,123,970		\$1,218,129
Charges for Services		194,528		194,528
Licenses, Permits and Fees	42,004			42,004
Fines and Forfeitures	5,701			5,701
Intergovernmental	73,411	488,859		562,270
Special Assessments	199,267	22,026		221,293
Miscellaneous	7,289	111,235		118,524
<i>Total Cash Receipts</i>	<u>421,831</u>	<u>1,940,618</u>		<u>2,362,449</u>
Cash Disbursements				
Current:				
General Government	403,999			403,999
Public Safety		1,213,241		1,213,241
Public Works		451,609		451,609
Health		626		626
Capital Outlay		3,529		3,529
Debt Service:				
Principal Retirement	13,000	111,654		124,654
Interest and Fiscal Charges	17,366	18,183		35,549
<i>Total Cash Disbursements</i>	<u>434,365</u>	<u>1,798,842</u>		<u>2,233,207</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(12,534)</u>	<u>141,776</u>		<u>129,242</u>
Other Financing Receipts (Disbursements)				
Advances In		40,000		40,000
Advances Out	(40,000)			(40,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(40,000)</u>	<u>40,000</u>		<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(52,534)</u>	<u>181,776</u>		<u>129,242</u>
<i>Fund Cash Balances, January 1, Restated</i>	<u>130,167</u>	<u>551,739</u>	<u>\$24,998</u>	<u>706,904</u>
Fund Cash Balances, December 31				
Restricted		733,515	24,998	758,513
Assigned	77,633			77,633
<i>Fund Cash Balances, December 31</i>	<u>\$77,633</u>	<u>\$733,515</u>	<u>\$24,998</u>	<u>\$836,146</u>

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

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**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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, Montgomery County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, road and bridge maintenance, and fire protection and emergency medical services. The Township contracts with the Montgomery County Sheriff's Office to provide security of persons and property.

The Township participates in one public entity risk pool, Ohio Township Association Risk Management Authority (OTARMA), which provides property and casualty coverage for the Township and one jointly governed organization. See Note 7 for additional information.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Township's funds are deposited in a demand deposit account.

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.

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.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Motor Vehicle License Tax Fund - This fund receives motor vehicle registration money for constructing, maintaining, and repairing Township roads and bridges.

Police District Fund - This fund receives property tax money to provide police protection for Township residents by contracting with the Montgomery County Sheriff's Office.

Fire/EMS Fund - This fund receives property tax money and charges for services money to provide fire and EMS protection services to Township residents.

Lighting District Fund - This fund receives special assessments money to provide street lighting throughout the Township.

CDBG Fund - This fund received Community Development Block Grant (CDBG) money passed through Montgomery County during 2014 to reimburse the Township for demolition of buildings.

3. 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:

Admin/Fire Building Capital Fund - This fund received monies from note and bond proceeds, and these funds were utilized for the construction of a new Township building and fire station.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township had no private purpose trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for monies received from insurance companies and reimburses residents when their buildings are fixed.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2015 and 2014 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
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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:

	2015	2014
Demand deposits	\$941,110	\$836,146

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$270,812	\$444,921	\$174,109
Special Revenue	1,865,621	1,773,488	(92,133)
Capital Projects	0	0	0
Total	\$2,136,433	\$2,218,409	\$81,976

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$439,650	\$466,685	(\$27,035)
Special Revenue	2,196,118	1,663,760	532,358
Capital Projects	0	0	0
Total	<u>\$2,635,768</u>	<u>\$2,130,445</u>	<u>\$505,323</u>

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$287,331	\$421,831	\$134,500
Special Revenue	1,857,609	1,980,618	123,009
Capital Projects	0	0	0
Total	<u>\$2,144,940</u>	<u>\$2,402,449</u>	<u>\$257,509</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$437,377	\$434,365	\$3,012
Special Revenue	2,155,797	1,798,842	356,955
Capital Projects	0	0	0
Total	<u>\$2,593,174</u>	<u>\$2,233,207</u>	<u>\$359,967</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$27,035 and in the Police District Fund by \$10,095 for the year ended December 31, 2015, and in the CDBG Fund by \$99,828 for the year ended December 31, 2014.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Township Building Bonds	\$353,000	4.625%
Fire Station Bonds	\$236,000	4.625%
Ambulance Loan	57,211	4.205%
Total	\$646,211	

The Township issued the two General Obligation bonds to finance the construction of the Township building and fire station in the amount of \$821,000. The bonds are scheduled to be repaid in 2032.

During 2012, the Township received a loan from the Republic First National Corporation which was used to finance the purchase of an ambulance. The loan is scheduled to be repaid in 2017.

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

	Township Building Bonds	Fire Station Bonds	Ambulance Loan
Year ending December 31:			
2016	\$30,209	\$20,829	\$39,402
2017	30,493	20,337	19,701
2018	30,799	19,874	
2019	30,083	19,412	
2020	29,356	20,951	
2021-2025	151,091	101,092	
2026-2030	151,197	100,526	
2031-2032	60,332	40,244	
Total	\$513,560	\$343,265	\$59,103

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015, OP&F participants contributed 12.25% of their wages. For 2015, the Township contributed to OP&F an amount equal to 24%. The Township had no qualifying employees in OP&F during 2014. For 2015 and 2014, 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, 2015.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014 (the latest information available):

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	<u>\$28,894,793</u>	<u>\$27,057,831</u>

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$23,000

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. RISK MANAGEMENT (Continued)

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.

2015	2014
\$42,712	\$42,322

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. CONTINGENT LIABILITIES

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

9. PRIOR PERIOD ADJUSTMENT

As a result of audit adjustments for unrecorded reconciling items from previous audit periods, the following adjustments were made to restate January 1, 2014 fund balances:

	General	Special Revenue
December 31, 2013 Fund Balance	\$136,910	\$554,676
Adjustment	(6,743)	(2,937)
December 31, 2013 Fund Balance, Restated	\$130,167	\$551,739

10. NONCOMPLIANCE

The Township did not comply with requirements regarding the posting of receipts and disbursements to a Special Revenue Fund and maintaining accurate financial records contrary to Ohio Admin. Code Section 117-2-02.

11. INTERFUND BALANCES

Outstanding advances at December 31, 2015 consisted of \$40,000 advanced to the Fire / EMS Fund from the General Fund to provide working capital for operations.



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
Montgomery County
One Business Park Drive
Dayton, Ohio 45417

To the Board of Township 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 the cash balances, receipts, and disbursements by fund type of Jefferson Township, Montgomery County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated November 17, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted the January 1, 2014 fund balances were restated.

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 and a significant deficiency.

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. We consider Findings 2015-002 and 2015-003 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding Number 2015-001 described in the accompanying schedule of findings to be a significant deficiency.

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 2015-003 and 2015-004.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

November 17, 2016

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Significant Deficiency – Bank Reconciliations

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the books provide a reasonable assurance that all receipts and expenditures have been correctly posted on the entity's books and have been correctly posted by the bank. Additionally, monthly reconciliations provide the Township with a picture of the Township's financial position at month end.

The Township prepared monthly bank to book reconciliations during 2014 and 2015, but these reconciliations all included various adjustments that were made to make the balances reconcile. At December 31, 2015, the book balance exceeded the bank balance by \$15,246, and the Township identified this difference as "Payments Not in UAN". Upon further investigation of this difference, it was determined that the difference represented \$5,824 of salary payments from 2013 and 2014 that were never input into UAN, \$2,942 of checks that were marked as voided in 2015 but actually cleared the bank in 2014, \$453 of checks that were erroneously voided after having been accounted for in a prior audit adjustment, and \$6,027 related to failure to account for a savings account that the Township closed in 2013. In 2016, the Township corrected its UAN accounting system for all of these errors.

In order to help verify the financial activity of the Township is properly accounted for and reported, the fiscal officer should perform monthly bank to book reconciliations and verify that supporting documentation for reconciling items is maintained. When reconciliation differences are identified, they should be investigated at that time. Failure to do so could result in management using the incorrect cash balance as a basis for their decisions and bank errors or accounting system posting errors going unnoticed. Additionally, independent detailed reviews should be performed of these reconciliations as means of providing for their accuracy.

Official's Response:

We did not receive a response from Township officials to this finding.

FINDING NUMBER 2015-002

Material Weakness – Budgetary Amounts in UAN

The Township annually received an Official Certificate of Estimated Resources from the Montgomery County Budget Commission and approved annual appropriation measures. The amount of estimated receipts from the certificate and the approved appropriations for each fund should be entered into the accounting system, which enables the Township to monitor budgetary compliance with the approved budgeted amounts throughout the year.

The amounts entered into the accounting system as estimated receipts for 2014 and 2015 did not agree to the Official and Amended Certificate as received from the County Budget Commission. The amounts entered into the accounting system as appropriations for 2014 and 2015 also did not agree to the approved appropriation measures.

**FINDING NUMBER 2015-002
(Continued)**

In total, 2014 and 2015 estimated receipts were overstated by \$351,003 (16.36% of the approved amount) and \$98,054 (4.59% of the approved amount), respectively, in the accounting system when compared to the year-end Amended Certificate of Estimated Resources received from the Montgomery County Budget Commission. Also, 2014 and 2015 appropriations were overstated by \$178,503 (6.89% of the approved amount) and \$39,557 (1.50% of the approved amount), respectively, in the accounting system when compared to the final appropriation measures approved for each year.

The amounts entered as estimated receipts and appropriations in the accounting system should agree to the Official Certified Receipts and approved appropriation measures. Inaccuracy of the data entered into the accounting system limits the reliability of controls that the budgetary reports provide to the Township management. Procedures should be implemented to verify that information entered into the accounting system agrees to legislatively approved amounts.

Official's Response:

We did not receive a response from Township officials to this finding.

FINDING NUMBER 2015-003

Material Weakness/Noncompliance – Financial Statement Misstatements

Ohio Admin Code Section 117-2 provides that the Township Fiscal Officer shall keep the books of the Township; exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Township and income derived. In addition, **Ohio Admin Code Section 117-2-02(A)** states that all 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, document compliance with finance relate legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the administrative code. The Township did not maintain an accurate record of all monies received and disbursed. The Township's financial statements for 2014 and 2015 contained errors which resulted in numerous reclassifications and adjustments to correctly report the financial activity during the audit period as follows:

- Due to errors on the bank reconciliation from transactions not posted in previous years, the Township's January 1, 2014 fund balances were overstated by \$6,743 for the General Fund, \$228 for the Fire District Fund, and \$2,709 for the EMS Fund.
- The Township did not record March 2014 salaries that were electronically withdrawn from the Township's bank account, resulting in General Fund general government disbursements being understated by \$5,566.
- In 2014, the Township erroneously posted \$99,828 in disbursements and corresponding reimbursements relating to CDBG funds received from Montgomery County as General Fund miscellaneous receipts and general government disbursements. This activity was moved to the CDBG Special Revenue Fund.
- In 2014, the Township understated General Fund debt service interest disbursements by \$7,344 and overstated debt service principal disbursements by \$2,500. The Township also understated Fire District Fund debt service interest disbursements by \$6,105 and overstated debt service principal payments by \$10,949.

FINDING NUMBER 2015-003
(Continued)

- In 2014 and 2015, the Township erroneously posted special assessments receipts of \$199,267 and \$208,688, respectively, relating to trash collection and mowing to the Lighting Fund. These receipts should have been posted to the General Fund. Additionally, the Township posted special assessments receipts at an amount that was net of County Auditor/Treasurer fees. General Fund fees were understated by \$15,314 and \$15,826 in 2014 and 2015, respectively.
- In 2014 and 2015, the Township erroneously posted disbursements of \$103,199 and \$111,662, respectively, to the City of Dayton relating to trash collections from special assessments in the Lighting Fund. These disbursements should have been posted to the General Fund.
- In 2014 and 2015, the Township erroneously posted property tax receipts in the General Fund, Road and Bridge Fund, Police District Fund, and Fire District Fund at an amount that was net of County Auditor/Treasurer fees. In 2014, these fees amounted to \$5,612, \$5,735, \$11,697, and \$9,672, respectively. In 2015, these fees amounted to \$2,434, \$5,362, \$10,791, and \$8,914, respectively.
- In 2014, the Township erroneously posted miscellaneous receipts as property tax receipts in the General Fund, Road and Bridge Fund, and Fire District Fund in the amounts of \$2,746, \$14,333, and \$5,033, respectively.
- In 2014, the Township erroneously posted all homestead and rollback receipts as General Fund intergovernmental receipts. This resulted in General Fund intergovernmental receipts being overstated by \$125,923, and Road and Bridge Fund, Police District Fund, and Fire District Fund being understated by \$26,169, \$54,627, and \$45,127, respectively.
- In 2015, the Township erroneously posted \$758 of HB64 receipts as General Fund special assessments receipts and \$3,792 as General Fund intergovernmental receipts. Based on the nature of those receipts, the entire amount of \$4,550 has been reclassified as Road and Bridge Fund intergovernmental receipts.
- In 2015, the Township erroneously posted \$9,102 of SB243 receipts as Motor Vehicle License Tax intergovernmental receipts. Based on the nature of those receipts, the entire amount of \$9,102 has been reclassified as General Fund intergovernmental receipts.
- In 2015, the Township erroneously posted \$4,250 of State Trauma and Emergency Medical Service Grant intergovernmental funds as Fire District Fund miscellaneous receipts.
- In 2015, the Township erroneously posted Agency Fund activity to a Private-Purpose Trust Fund. The activity in the Private-Purpose Trust Fund has been moved to the Agency Fund. It consists of \$25,684 in operating miscellaneous receipts, \$8,684 in operating contractual services disbursements, and \$17,000 in December 31, 2015 cash balance.
- In the prior audit period, the Township's auditor manually added a \$4,025 Miscellaneous Special Revenue Fund and a \$24,998 Capital Projects Fund. The Township added these funds into UAN during 2015. As a result, the 2014 financial statements did not show these funds, but the 2015 financial statements did show these funds. They have been added to the Township's 2014 financial statement.
- As discussed in **Auditor of State Bulletin 2011-004**, when the appropriation measure is adopted for the subsequent year, and those appropriations exceed estimated receipts, the excess is to be assigned as it uses existing fund balance at year-end. This would be applicable only to the General Fund as it is the only fund with a positive unassigned fund balance. The Township failed to properly classify the amount by which appropriations exceeded estimated receipts for the subsequent fiscal year in the amount of \$77,633 for 2014 and \$55,849 for 2015. These amounts should have been classified as assigned fund balance rather than unassigned fund balance in the General Fund.

FINDING NUMBER 2015-003
(Continued)

Additionally, the Township has separate Special Revenue Funds for the Fire District Fund and EMS Fund that roll up into the Special Revenue Funds on the financial statement. The majority of those funds' funding comes from Fire/EMS property tax levy and corresponding homestead and rollback receipts. Because the property tax levy is only one levy for Fire/EMS, the Township should have one fund for Fire/EMS instead of separate funds for Fire and EMS. This change has no impact on the financial statements and affects only the Township's individual fund reporting. It has been proposed to the Township that the Fire District Fund and EMS Fund be combined into one Fire/EMS Fund.

Finally, as a result of the audit adjustments above, subsequent noncompliance occurred with **Ohio Rev. Code § 5705.41(B)**, which states no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. In addition, **Ohio Rev. Code § 5705.40** states, in part, any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. At 2014 year-end, the Township's CDBG Fund had disbursements in excess of appropriations by \$99,828; and at 2015 year-end, the Township's General Fund and Police District Fund had disbursements in excess of appropriations by \$27,035 and \$10,095, respectively. Prior to the audit adjustments, the Township was in compliance with these Revised Code sections.

The accompanying financial statements and the Township's accounting system have been adjusted for these misstatements.

The Township should develop and implement procedures to verify accurate record keeping of all its activities. Failure to maintain complete accountability of public monies could increase the possibility of funds being altered, impaired, lost or stolen. Additionally, independent detailed reviews should be performed of these records as means of providing for their accuracy.

Official's Response:

We did not receive a response from Township officials to this finding.

FINDING NUMBER 2015-004

Noncompliance – Proper Encumbering of Disbursements

Ohio Rev. Code § 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or 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.

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 the sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**FINDING NUMBER 2015-004
(Continued)**

- A. "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 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 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.
- B. Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not to exceed 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.
- C. Super Blanket Certificate** - The Township may also make expenditures and contract 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. The certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for eleven of seventeen checks tested during the audit period (64.7%) wherein the invoice date preceded the purchase order date, and none of the three aforementioned exceptions above were obtained.

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, the Township should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used.

Official's Response:

We did not receive a response from Township officials to this finding.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	Material Weakness – Bank Reconciliations	Repeated as Finding 2015-001 – Significant Deficiency	The Township did not correct this item by December 31, 2015; however, it was corrected in 2016.
2013-002	Material Noncompliance – Ohio Rev. Code Section 5705.41(B) – Disbursements In Excess of Appropriations	Repeated as Finding 2015-003 – Material Weakness / Material Noncompliance	The Township will take steps to make sure disbursements plus encumbrances will not exceed appropriations.
2013-003	Material Weakness – Budgetary Entries in UAN	Repeated as Finding 2015-002 – Material Weakness	The Township will take steps to update budgetary information in UAN to match amounts approved by the Board of Trustees.
2013-004	Material Weakness/Noncompliance – Ohio Rev. Code Section 149.43 – Missing Supporting Documentation	Fully Corrected	
2013-005	Material Weakness – Incorrect Accounting Transactions	Repeated as Finding 2015-003 - Material Weakness / Material Noncompliance	The Township will take steps to make sure items are posted to the correct fund and line item.



Dave Yost • Auditor of State

JEFFERSON TOWNSHIP

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 19, 2017**