



**JERSEY TOWNSHIP
LICKING COUNTY**

NON-GAGAS ENGAGEMENT

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

**JERSEY TOWNSHIP
LICKING COUNTY
DECEMBER 31, 2017, 2016 AND 2015**

TABLE OF CONTENTS

TITLE	PAGE
Report on the Financial Statements, Internal Control, and Compliance.....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types for the Year Ended December 31, 2017.....	3
Notes to the Financial Statements for the Year Ended December 31, 2017.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types for the Year Ended December 31, 2016.....	13
Notes to the Financial Statements for the Year Ended December 31, 2016.....	15
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types for the Year Ended December 31, 2015.....	21
Notes to the Financial Statements for the Year Ended December 31, 2015.....	23
Schedule of Findings.....	29
Schedule of Prior Audit Findings (Prepared by Management)	41

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OHIO AUDITOR OF STATE KEITH FABER



Report on the Financial Statements, Internal Control, and Compliance

Jersey Township
Licking County
1481 Mink Road
Johnstown, Ohio 43031

To the Board of Trustees:

We have selectively tested certain accounts, financial records, reports and other documentation of the Jersey Township, Licking County, (the Township), as of and for the years ended December 31, 2017, 2016 and 2015. These procedures were designed to satisfy the audit requirements of Section 117.11, Ohio Rev. Code, and Section 117-4-02, Ohio Admin. Code. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

Internal Control Over Financial Reporting

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency 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, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2017-002 through 2017-004, and 2017-010 and 2017-0013 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

Compliance and Other Matters

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Township, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as items 2017-001, 2017-004 through 2017-014.

Township's Response to Findings

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

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive style with a large initial "K".

Keith Faber
Auditor of State

Columbus, Ohio

March 21, 2019

Jersey Township
Licking County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$318,644	\$683,779	\$1,002,423
Licenses, Permits and Fees	19,509	14,550	34,059
Intergovernmental	37,243	180,262	217,505
Earnings on Investments	91	24	115
Miscellaneous	8,325	9,575	17,900
<i>Total Cash Receipts</i>	<u>383,812</u>	<u>888,190</u>	<u>1,272,002</u>
Cash Disbursements			
Current:			
General Government	340,627	0	340,627
Public Safety	0	684,879	684,879
Public Works	0	363,052	363,052
Health	0	30,923	30,923
Capital Outlay	0	3,678	3,678
Debt Service:			
Principal Retirement	0	902	902
<i>Total Cash Disbursements</i>	<u>340,627</u>	<u>1,083,434</u>	<u>1,424,061</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>43,185</u>	<u>(195,244)</u>	<u>(152,059)</u>
<i>Net Change in Fund Cash Balances</i>	43,185	(195,244)	(152,059)
<i>Fund Cash Balances, January 1</i>	<u>163,805</u>	<u>1,105,636</u>	<u>1,269,441</u>
Fund Cash Balances, December 31			
Restricted	0	925,506	925,506
Assigned	301,821	0	301,821
Unassigned (Deficit)	<u>(94,831)</u>	<u>(15,114)</u>	<u>(109,945)</u>
<i>Fund Cash Balances, December 31</i>	<u>\$206,990</u>	<u>\$910,392</u>	<u>\$1,117,382</u>

See accompanying notes to the basic financial statements

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**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Jersey Township, Licking County, Ohio (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. Firefighting and emergency medical services are provided by both the West Licking Joint Fire District and by Monroe Township. The Licking County Sheriff's Office provides general police patrol.

Jointly-Governed Organization

West Licking Joint Fire District – The West Licking Joint Fire District, a jointly governed organization, is a political subdivision governed by a Board of Trustees which possesses its own contracting and budgeting authority. The Board of Trustees consists of one representative from each of the participating governments; the City of Pataskala, the Village of Kirkersville, City of New Albany, Harrison Township, Etna Township, City of Reynoldsburg and Jersey Township. The Township made no contributions during 2017 for the operation of the West Licking Joint Fire District.

Public Entity Risk Pool

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 The Road and Bridge Fund receive taxes levied for constructing, maintaining, and repairing Township roads and bridges.

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fire District Fund The Fire District Fund receives taxes levied to provide fire protection and emergency medical services.

Basis of Accounting

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.

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. 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 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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2017 budgetary activity appears in Note 3.

Deposits

The Township maintains a demand deposit account.

Capital Assets

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

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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:

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.

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.

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.

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.

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$ 383,812	\$ 383,812
Special Revenue		888,190	888,190
Total	\$ -	\$ 1,272,002	\$ 1,272,002

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 394,707	\$ 421,258	\$ (26,551)
Special Revenue	1,760,500	1,169,355	591,145
Capital Projects	53,806	-	53,806
Total	\$ 2,209,013	\$ 1,590,613	\$ 618,400

The Township violated Ohio Rev. Code 5705.38 (A), 5705.39 and 5705.41 (B) by not having preparing a certificated of all resources available, certificate of estimated receipts and for expenditures exceeding appropriations.

Note 4 - Deposits

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

	2017
Total Deposits	\$ 1,117,382

Deposits

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

Note 5 - 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.

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

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

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 6 - Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees 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 plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 8 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 1 percent of the employer contribution to fund these benefits.

Note 9 - Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan (CQ18Q)	\$ 6,762	0%
Total	<u>\$ 6,762</u>	

The Ohio Public Works Commission (OPWC) loan CQ18Q relates to the Township's Beech Road Improvement Project. OPWC approved up to \$85,340 in a loan to the Township for this project. The Township repays the loan in semi-annual installments of \$451, over 10 years beginning in July, 1, 2015.

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

Year ending December 31:	<u>OPWC Loan CQ18Q</u>
2018	\$ 902
2019	902
2020	902
2021	902
2022	902
2023-2025	<u>2,252</u>
Total	<u>\$ 6,762</u>

Note 10 - Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. 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.

Note 11 - Encumbrance Commitments

At December 31, 2017, the Township had encumbrance commitments as follows:

<u>Fund</u>	
General Fund	\$80,631
Motor Vehicle License Fund	2,609
Gasoline Tax Fund	26,932
Road and Bridge Fund	41,491
Cemetery Fund	<u>14,889</u>
Total Encumbrances	<u>\$166,552</u>

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 12 – Subsequent Events

On July 1, 2018, the Township entered into an agreement with OPWC with a Grant and Loan agreement for the Patterson Road Resurfacing Project. The OPWC Grant (CQ48V) is for an amount not to exceed \$201,300. The OPWC Loan (CQ49V) is for an amount not to exceed \$96,600.

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Jersey Township
Licking County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$148,810	\$731,958	\$880,768
Licenses, Permits and Fees	14,706	9,876	24,582
Intergovernmental	62,523	175,730	238,253
Earnings on Investments	93	23	116
Miscellaneous	0	6,400	6,400
<i>Total Cash Receipts</i>	<u>226,132</u>	<u>923,987</u>	<u>1,150,119</u>
Cash Disbursements			
Current:			
General Government	356,334	0	356,334
Public Safety	0	0	0
Public Works	2,882	326,412	329,294
Health	7,600	25,050	32,650
Capital Outlay	4,800	0	4,800
Debt Service:			
Principal Retirement	0	902	902
<i>Total Cash Disbursements</i>	<u>371,616</u>	<u>352,364</u>	<u>723,980</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(145,484)</u>	<u>571,623</u>	<u>426,139</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	40,596	0	40,596
<i>Total Other Financing Receipts (Disbursements)</i>	<u>40,596</u>	<u>0</u>	<u>40,596</u>
<i>Net Change in Fund Cash Balances</i>	(104,888)	571,623	466,735
<i>Fund Cash Balances, January 1</i>	<u>268,693</u>	<u>534,013</u>	<u>802,706</u>
Fund Cash Balances, December 31			
Restricted	0	1,112,277	1,112,277
Assigned	64,257	0	64,257
Unassigned (Deficit)	99,548	(6,641)	92,907
<i>Fund Cash Balances, December 31</i>	<u>\$163,805</u>	<u>\$1,105,636</u>	<u>\$1,269,441</u>

See accompanying notes to the basic financial statements

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**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 - Reporting Entity

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Public Entity Risk Pool

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

Note 2 - Summary of Significant Accounting Policies

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**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fire District Fund The Fire District Fund receives taxes levied to provide fire protection and emergency medical services.

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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.

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Appropriations

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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.

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. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2016 budgetary activity appears in Note 3.

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 2 - Summary of Significant Accounting Policies (Continued)

Deposits

The Township maintains a demand deposit account.

Capital Assets

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

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.

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:

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.

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.

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.

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.

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$ 266,728	\$ 266,728
Special Revenue		923,987	923,987
Total	\$ -	\$ 1,190,715	\$ 1,190,715

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$ 435,873	\$ (435,873)
Special Revenue		412,885	(412,885)
Total	\$ -	\$ 848,758	\$ (848,758)

The Township violated Ohio Rev. Code 5705.38 (A), 5705.39 and 5705.41 (B) by not having preparing a certificated of all resources available, certificate of estimated receipts and its certificate of appropriations with the County Auditor.

Note 4 - Deposits

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

	2016
Total Deposits	\$ 1,269,441

Deposits

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

Note 5 - 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.

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

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

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 6 - Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees 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 plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 8 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 - Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan (CQ18Q)	\$ 7,664	0%
Total	\$ 7,664	

The Ohio Public Works Commission (OPWC) loan CQ18Q relates to the Township's Beech Road Improvement Project. OPWC approved up to \$85,340 in a loan to the Township for this project. The Township repays the loan in semi-annual installments of \$451, over 10 years beginning in July, 1, 2015.

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

	OPWC Loan CQ18Q
Year ending December 31:	
2017	\$ 902
2018	902
2019	902
2020	902
2021	902
2022-2025	3,154
Total	\$ 7,664

Note 10 - Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. 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.

Note 11 - Encumbrance Commitments

At December 31, 2016, the Township had encumbrance commitments as follows:

<u>Fund</u>	
General Fund	\$64,257
Gasoline Tax Fund	22,203
Road and Bridge Fund	26,934
Cemetery Fund	11,384
Total Encumbrances	\$124,778

Jersey Township
Licking County, Ohio
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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$133,844	\$572,286	\$706,130
Charges for Services		0	0
Licenses, Permits and Fees	8,816	5,825	14,641
Intergovernmental	44,687	182,875	227,562
Earnings on Investments	74	21	95
Miscellaneous	0	5,733	5,733
<i>Total Cash Receipts</i>	<u>187,421</u>	<u>766,740</u>	<u>954,161</u>
Cash Disbursements			
Current:			
General Government	237,412	0	237,412
Public Safety	0	258,000	258,000
Public Works	326	376,263	376,589
Health	0	22,057	22,057
Capital Outlay	0	78,822	78,822
Debt Service:			
Principal Retirement	0	451	451
<i>Total Cash Disbursements</i>	<u>237,738</u>	<u>735,593</u>	<u>973,331</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(50,317)</u>	<u>31,147</u>	<u>(19,170)</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets		12,250	12,250
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>12,250</u>	<u>12,250</u>
<i>Net Change in Fund Cash Balances</i>	(50,317)	43,397	(6,920)
<i>Fund Cash Balances, January 1</i>	<u>319,010</u>	<u>490,616</u>	<u>809,626</u>
Fund Cash Balances, December 31			
Restricted	0	534,013	534,013
Assigned	50,282	0	50,282
Unassigned (Deficit)	218,411	0	218,411
<i>Fund Cash Balances, December 31</i>	<u>\$268,693</u>	<u>\$534,013</u>	<u>\$802,706</u>

See accompanying notes to the basic financial statements

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**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Jersey Township, Licking County, Ohio (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. Firefighting and emergency medical services are provided by both the West Licking Joint Fire District and by Monroe Township. The Licking County Sheriff's Office provides general police patrol.

Jointly-Governed Organization

West Licking Joint Fire District – The West Licking Joint Fire District, a jointly governed organization, is a political subdivision governed by a Board of Trustees which possesses its own contracting and budgeting authority. The Board of Trustees consists of one representative from each of the participating governments; the City of Pataskala, the Village of Kirkersville, City of New Albany, Harrison Township, Etna Township, City of Reynoldsburg and Jersey Township. The Township made no contributions during 2015 for the operation of the West Licking Joint Fire District.

Public Entity Risk Pool

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 The Road and Bridge Fund receive taxes levied for constructing, maintaining, and repairing Township roads and bridges.

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fire District Fund The Fire District Fund receives taxes levied to provide fire protection and emergency medical services.

Basis of Accounting

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.

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. 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 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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2015 budgetary activity appears in Note 3.

Note 2 - Summary of Significant Accounting Policies (Continued)

Deposits

The Township maintains a demand deposit account.

Capital Assets

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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.

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:

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.

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.

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.

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.

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$ 187,421	\$ 187,421
Special Revenue		778,990	778,990
Total	\$ -	\$ 966,411	\$ 966,411

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$ 288,020	\$ (288,020)
Special Revenue		886,517	(886,517)
Total	\$ -	\$ 1,174,537	\$ (1,174,537)

The Township violated Ohio Rev. Code 5705.38 (A), 5705.39 and 5705.41 (B) by not having preparing a certificated of all resources available, certificate of estimated receipts and its certificate of appropriations with the County Auditor.

Note 4 - Deposits

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

	2015
Total Deposits	\$ 802,706

Deposits

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

Note 5 - 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.

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

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

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Note 6 - Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 members as of December 31, 2015.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015.

	<u>2015</u>
Assets	\$14,643,667
Liabilities	<u>(9,112,030)</u>
Members' Equity	<u>\$5,531,637</u>

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees 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 plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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.

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Note 8 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 - Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan (CQ18Q)	\$ 8,565	0%
Total	\$ 8,565	

The Ohio Public Works Commission (OPWC) loan CQ18Q relates to the Township's Beech Road Improvement Project. OPWC approved up to \$85,340 in a loan to the Township for this project. The Township repays the loan in semi-annual installments of \$451, over 10 years beginning in July, 1, 2015.

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

	OPWC Loan CQ18Q
Year ending December 31:	
2016	\$ 902
2017	902
2018	902
2019	902
2020	902
2021-2025	4,055
Total	\$ 8,565

Note 10 - Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. 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.

Note 11 - Encumbrance Commitments

At December 31, 2015, the Township had encumbrance commitments as follows:

<u>Fund</u>	
General Fund	\$50,282
Gasoline Tax Fund	26,298
Road and Bridge Fund	61,314
Cemetery Fund	9,055
Capital Projects Fund	54,257
Total Encumbrances	\$201,206

**JERSEY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017, 2016 AND 2015**

1. Budgetary Requirements –Noncompliance

<i>Finding Number</i>	2017-001
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Ohio Rev. Code § 5705.38(A) requires on or about the first day of each fiscal year, an appropriation measure be passed. The Township may pass a temporary appropriation measure to meet their ordinary expenses until April 1st, at which time a permanent appropriation measure must be passed.

Ohio Rev. Code § 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

Ohio Rev. Code § 5705.39 states that no appropriation measure is to become 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 certificate.

The Township did not adopt an appropriation measure for fiscal year 2015 or 2016. Unapproved appropriations were input into the Township's accounting system to allow expenditures to be processed.

The Township did not adopt estimated resources for fiscal year 2015, 2016 or 2017. Unapproved resources were input into the Township's accounting system.

Because approved appropriations and resources were not provided to the County Auditor, certificates indicating the Township's appropriations did not exceed its total estimated or amended official certificate were not issued. Therefore, all expenditures in 2015 and 2016 exceeded a duly authorized appropriation measure.

In 2017, appropriation measures were approved by the County Auditor. We noted expenditures exceeded appropriations for the General and Cemetery Funds:

Fund	Appropriations Carryover Encumbrances	& Expenditures outstanding encumbrances	plus Variance
General	\$394,707	\$421,258	(\$26,551)
Cemetery	\$38,384	\$46,712	(\$8,328)

The Township should consult with its legal counsel and review the Auditor of State's, "Ohio Compliance Supplement", to develop a budgetary schedule and timeline to assure all annual budgetary filings and compliance requirements are met. The Township should approve its certificate of all resources available and certificate of estimated resources annually by January 1.

The Township Trustees should adopt a permanent appropriation measure by April 1st each year and file its appropriation measure and any approved amendments to appropriations with the County Auditor. When the Township receives a certificate from the County Auditor indicating the appropriations do not exceed the Township's official estimate or amended official certificate of resources, the Fiscal officer should update the estimated resources and appropriations in the accounting system to match the approved amounts.

The Township should implement budgetary monitoring controls to help ensure the Fiscal Officer has accurately and timely posted all estimated receipts and appropriations as approved by the Trustees and the County Budget Commission in the accounting system.

Officials' Response: The Township will work with the County Auditor to complete budgetary filings. In addition, the Township will include appropriation status reports in its monthly financial packet discussed at Township meetings, helping the Township to monitor when additional appropriations are needed.

2. **Bank Reconciliations- Internal Control Deficiency**

<i>Finding Number</i>	2017-002
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Strong monitoring practices of the Township's financial activities are the responsibility of the Fiscal Officer and the Board of Trustees and are essential to help ensure proper financial reporting. A bank to book reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciliations should include all bank accounts and book balances and should be reviewed by the Fiscal Officer and the Board of Trustees at monthly meetings. Evidence of these reviews should be documented.

The Township did not perform accurate bank to book reconciliations throughout the audit period. In 2015 and the first three months of 2016, bank reconciliations were attempted monthly. For the rest of the audit period, reconciliations were only attempted annually. Prepared reconciliations included significant unidentified reconciling items which fluctuated from month to month. The Township contracted with Local Government Services (LGS) to have a proof-of-cash and adjusted bank reconciliations prepared subsequent to the end of the audit period. LGS provided the Township with a list of revenues and expenditures which were processed by the bank and assisted the Township in preparing updated financial statements and related note disclosures.

Discrepancies identified in the reconciliations prepared by the Township included:

- Outstanding checks were inaccurately reported at December 31, 2015, 2016 and 2017 and includes 10 outstanding checks from prior to fiscal year 2015 totaling \$2,505
- Voided checks were not accurately documented in the system. Voided checks were included as outstanding in the reconciliation and others were indicated as voided in UAN which had actually cleared.
- Revenues were not posted timely in the UAN system by the Fiscal Officer; some transactions were posted up to thirteen months late.
- Interest earned on Township accounts were not recorded in the UAN ledgers.
- Various ACH payments and miscellaneous deposits were not posted to UAN.

By not performing accurate monthly bank reconciliations, the Township has an increased risk of accounting errors existing and fraudulent transactions occurring without the knowledge of management. Refer to Finding Numbers 2017-003 and 2017-010 for an outline of accounting errors.

The Fiscal Officer should reconcile all bank accounts to the Township's financial records on a monthly basis. All reconciling items or errors should be identified and included on the face of the reconciliation. Any unreconciled balances should be researched in order to find the known source of the error. All errors should be corrected on the Township's ledgers following the completion of the reconciliation. As a monitoring control, we recommend the monthly bank reconciliation and all supporting documentation be reviewed and approved by the Trustees. Evidence of these reviews and approvals should be documented in the Township's minutes and bank reconciliations should be signed.

Officials' Response: The Fiscal Officer has been working closely with Local Government Services to correct the reconciliation errors. The Township will continue to use the assistance of Local Government Services to prepare bank reconciliations on a monthly basis.

3. **Financial Statement Presentation- Internal Control Deficiency**

<i>Finding Number</i>	2017-003
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In our audit engagement letter, as required by AU-C Section 210, *Your Responsibility and Identification of the Applicable Financial Reporting Framework*, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

At each monthly meeting through April 2016, the only financial report reviewed by the Board of Trustees was the monthly bank reconciliation, which included large, unexplainable reconciling items. After April 2016, the Trustees only received an annual bank reconciliation that containing similar reconciling items. Multiple audit adjustments were proposed and applied to the financial statements for fiscal year 2017, 2016 and 2015 to correct accounting errors:

Audit adjustments identified and posted to the Township's financial statements for 2017 included the following:

- Decreased miscellaneous receipts and general government expenditures in the general fund by \$130 for reimbursements received for current year expenditures.
- Increased Licenses, Fees & Permits, decreased miscellaneous receipts in the Cemetery fund by \$1,650.
- Increased property and other local taxes, decreased miscellaneous receipts in the Fire Fund by \$155,970.
- Increased assigned fund balances within the General fund by \$221,190, decreasing unassigned balances to account for amounts expected to be expended in the subsequent fiscal year.

Audit adjustments identified and posted to the Township's financial statements for 2016 included the following:

- Increased Licenses, Fees & Permits, decreased miscellaneous receipts in the Cemetery fund by \$5,026.
- Increased Intergovernmental Receipts, decreased property tax receipts in the Road & Bridge fund by \$37,076; in the General fund by 12,498; and in the Fire Fund by \$17,915.
- Decreased miscellaneous receipts and public works expenditures in the Road & Bridge fund by \$934 for reimbursements received on current year expenditures.

Audit adjustments identified and posted to the Township's financial statements for 2015 included the following:

- Increased Licenses, Fees & Permits, decreased miscellaneous receipts in the Cemetery fund by \$6,575.
- Increased Intergovernmental Receipts, decreased property tax receipts in the Road & Bridge fund by \$25,098.

- Decreased miscellaneous receipts and general government expenditures in the general fund by \$7,182 for reimbursements received for current year expenditures.

Additional audit adjustments for all fiscal years affecting fund balances were identified in Finding 2017-010. The existence of audit adjustments indicates controls over financial statement presentations are not effective.

It is vital for the Board of Trustees to provide an oversight function for the Township due to the lack of segregation of duties, as all accounting functions of the Township are controlled by the Fiscal Officer. We recommend the Board of Trustees monitor Township financial activity and document review of monthly reports in the record of proceedings. Additionally, we recommend the Township establish procedures to review and follow up on audit comments to help ensure similar errors are not repeated in subsequent fiscal years.

Officials' Response: The Fiscal Officer will work with Local Government Services to help improve the accuracy of its financial statements.

4. **Documenting and Recording Activity of the Public Office
 Internal Control Deficiency & Noncompliance**

<i>Finding Number</i>	2017-004
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Ohio Rev. Code § 121.22 (C) states, in part, all meetings of any public body are to be open to the public at all times. A member of a public body must be present in person at a meeting open to the public to be considered present or to vote and for determining whether a quorum is present. The minutes of a regular or special meeting of the Township shall be promptly prepared, filed and maintained and shall be open to public inspection. The minutes need only reflect the general subject matter of discussions held in executive sessions.

Ohio Rev. Code § 149.351 provides, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records.

The Township was unable to provide minutes for 7 out of 43 meetings held during 2015, 2016 and 2017. While the Township had recordings of the meetings, the meetings were not promptly filed and maintained in accordance with **Ohio Rev. Code § 121.22 (C)**. We further noted an additional 8 meetings where minutes were prepared but were not signed by Trustees.

The minutes prepared by the Township were found to be incomplete and missing multiple actions taken by the Trustees, such as the approval of the fire contract with Monroe Township, multiple changes of zoning fees and salary increases.

In addition, we noted the following records were not maintained by the Township:

- Receipt support for cemetery opening and closing fees, cremations, indigent burials and cemetery footer installations for all three years.
- Six Cemetery deeds, three each from 2016 and 2017
- Timecards for two paychecks
- Supporting documentation for 25 expenditures.
- Detailed deposit slips validated by the bank for all three years
- Canceled checks for all three years
- Accurate documentation of annual raises for a substitute roadman

Failure to maintain supporting documentation for expenditures and receipts, including payroll, non-payroll and cash receipt transactions, in addition to records of meetings of public bodies, can result in violations of the Sunshine Law and increase the risk of unallowable activity occurring. In addition, failure to timely post receipts and expenditures can result in misstatement of the financial statements.

Supporting documentation for Township receipts and expenditures shall be maintained to provide evidence that all financial activity, including those for payroll, are for a proper public purchase and are made in accordance with contracts, invoices, time cards and agreements, as applicable.

The minutes of regular and special meetings shall be reviewed and approved at the subsequent meeting and for the approval to be documented in the minutes. All approved minutes should be kept with sufficient detail to ensure that all significant Board decisions and resolutions are properly documented, including when the Board votes to go into executive session and when bank reconciliations and financial information are reviewed. These minutes should be readily available for public inspection.

Officials' Response: The Township has hired an administrative assistant to help organize and maintain records. The Township will implement the use of duplicate receipt books and will prepare a minute record for all meetings.

5. **Filing with the HINKLE System- Noncompliance**

<i>Finding Number</i>	2017-005
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Ohio Rev. Code § 117.38 states that public offices filing Regulatory basis financial statements shall file their reports within 60 day after the close of the fiscal year end. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

The Township filed its annual financial reports to the Auditor of State for fiscal years ended December 31, 2016 and 2017 both on December 12, 2018, which is more than 60 days after fiscal year end.

Failure to file final financial statements for audit within the deadline is an indication the control process over the compilation is not operating efficiently and could cause delays in the audit process.

We recommend for the Township to improve controls over its preparation of the annual financial statements to ensure its annual financial report is filed with the Auditor of State within 60 days of the fiscal year end via the HINKLE System.

Officials' Response: The Township will work with Local Government Services to enhance the accuracy and timeliness of reporting with the Hinkle System.

6. **Allocation of Audit Expense- Noncompliance**

<i>Finding Number</i>	2017-006
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Ohio Rev. Code § 117.13(C)(3) provides that the fiscal officer may distribute such total cost of the audit to each fund audited in accordance with its percentage of the total cost.

The fiscal officer should determine which funds should be charged a percentage of the audit costs. The Auditor of State is of the opinion that most operating funds of a local government, including special levy funds, funds that receive gas taxes, and motor vehicle registration fees can be charged a portion of the audit costs.

In determining a percentage of total cost that may be charged to a fund, any reasonable and rational method such as a percentage of the fund's revenue or expenditures compared to the total revenue or expenditures for all funds, excluding agency funds, would be acceptable.

In 2016 and 2017, the Township used monies from the General and the Road and Bridge Fund to pay for audit and local government services. The distribution of expenditures between the funds was selected at random by the fiscal officer rather than a pre-determined allocation of total costs. By not establishing a set formula for the distribution of the expense, the Township is at risk of using restricted funds inappropriately. The financial statements have been adjusted to reflect all audit costs being paid from the General Fund. See Finding 2017-010.

We recommend the Township expend audit and local government service costs from the General Fund, unless a consistent formula for the allocation of total costs is established and applied throughout the length of the agreement or contract.

Officials' Response: The Township will discuss a plan for the allocation of future audit costs amongst its funds.

7. **Continuing Education Training ORC 135.22- Noncompliance**

<i>Finding Number</i>	2017-007
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Ohio Rev Code §135.22(B) requires treasurers to complete annual continuing education programs provided by the Treasurer of State (TOS). The TOS issues certificates indicating that the treasurer has successfully completed the continuing education program.

The continuing education requirement does not apply to subdivision treasurers who annually provides a notice of exemption to the Treasurer of State that the fiscal officer is not subject to the continuing education requirements because the fiscal officer invests or deposits public funds in the following investments only:

1. Interim deposits pursuant to ORC 135.14(B)(3)
2. STAR Ohio pursuant to ORC 135.14(B)(6)
3. No-load money market mutual funds pursuant to ORC 135.14 (B)(5)

The Township qualifies for the exemption, however the exemption certificate was not filed with the Treasurer of State for 2015 or 2016. The fiscal officer did not attend the required training either. By not attending the training or filing the exemption the Township is in non-compliance with the Ohio Revised Code and is at risk of making inappropriate investments decisions.

We recommend the Fiscal Officer attend the required training or annually file an investment training exemption letter with the Auditor of State.

Officials' Response: The Fiscal Officer completed the exemption form in 2017 and will continue to do so.

8. **Township Deposit Procedures- Noncompliance**

<i>Finding Number</i>	2017-008
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Ohio Rev. Code § 9.38 states that a person who is a public official shall deposit all funds received in excess of \$1,000 with the Township Fiscal Officer or with the Township's Bank on the business day next following the day of receipt. Amounts under \$1,000 shall be deposited on the following business day unless the governing board adopts a policy permitting a different time period, not to exceed three business days after the receipt, for making such deposits, and receipts are kept secure until deposited. The policy shall include provisions and procedures to safeguard public funds until deposited.

In March 2017, the Township approved a policy allowing the fiscal officer to hold deposits under \$1,000 for 7 days which exceeds the length of time allowed under the code mentioned above. The policy did not define how held receipts would be safeguarded until the deposit could be made.

As noted in Finding 2017-004 the Township did not maintain records to support receipts collected and deposited. Therefore, compliance with this Ohio Revised Code section could not be determined.

The Township's policy places it in violation with the Ohio Revised Code and increases the Township's risks of theft or loss occurring.

The Township should modify its policy to meet the requirements of the Ohio Revised Code.

Officials' Response: The Township has already corrected its deposit policy to comply with the requirements of the Ohio Revised Code.

9. **Prior Certification of Funds- Noncompliance**

<i>Finding Number</i>	2017-009
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Ohio Rev. Code §5705.41(D) prohibits a subdivision or taxing entity 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.

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" certificates - 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 the receipt of the "then and now" certificate to approve payment by resolution. Amounts less than \$3,000 may be paid by the fiscal officer without a resolution 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 the expenditures by the Township.

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

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 operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

During the audit period we noted:

- The Township did not certify the availability of funds for all commitments during 2015, 2016 or 2017. Commonly, the Township selected purchase orders for paying bills based on outstanding purchase order balances instead of properly encumbering purchases before incurring expenditures, circumventing the acquisition process.
- The Township has no policy to regulate the use and amount of blanket certificates.
- Blanket and Super blanket certificates were not appropriately closed at the end of each fiscal year.

Failure to properly certify the availability of funds can result in overspending and negative cash fund balances as identified in Finding 2017-013.

Unless the exceptions noted in 1-3 above are applied appropriately, 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 for the Fiscal Officer to certify the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. The Township should adopt a policy to regulate the use and amount of blanket certificates.

Officials' Response: The Fiscal officer will create purchase orders for all expenditures, closing blanket and super blanket certificates at the end of each fiscal year. The Township will further discuss its need and use of blanket certificates, developing a policy if these certificates will be used.

10 Allocation & Use of Revenues-Internal Control Deficiency & Noncompliance

<i>Finding Number</i>	2017-010
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Ohio Rev. Code §5705.10(C) states, all revenue that is derived from a special levy is to be credited to a special fund for the purpose for which the levy is made. Additionally, section (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.

Our procedures identified multiple instances where revenues and expenditures were posted to an incorrect fund. A summary of adjustments applied to the Township's fund balances are as follows:

Posting Error	<u>2015</u>	<u>2016</u>	<u>2017</u>
Prior year deposits posted in subsequent fiscal years in the General and Cemetery funds	\$806	\$0	\$0
To record Disbursements in the General fund for monies inappropriately spent from Special Revenue funds & Capital Project Funds	\$1,694	\$3,514	\$42,798
To record Homestead/Rollback funds in the General and Fire Funds rather than the Road & Bridge fund	\$19,720	\$6,317	\$0
To record miscellaneous receipts in the Road & Bridge fund rather than the General fund.	\$0	\$0	\$775
To record Zoning Receipts posted in the Cemetery Fund rather than the General Fund	\$0	\$345	\$0
To record the reimbursement of general fund expenditures as a reduction of expenditures in the general fund rather than as miscellaneous receipts in the Road & Bridge fund	\$0	\$1,025	\$0

The existence of fund balance adjustments is an indication that financial controls are either non-existent or not operating as intended. The Fiscal Officer should be diligent in assuring funds are properly posted to the correct fund in accordance with the Township's Uniform Accounting Network (UAN) coding system and the Ohio Revised Code.

The Township should review its current financial reports for similar errors and make adjustments as necessary and implement control procedures to identify similar errors in future financial reports.

Officials' Response: The Fiscal Officer will work with Local Government Services to help improve the accuracy of its financial statements.

11 **Finding For Recovery – Public Monies Illegally Expended**

<i>Finding Number</i>	2017-011
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Shirley Green, a former fiscal officer for Jersey Township, stopped working for the Township effective April 1, 2012 after Beth Croak was elected to the position in November 2011. During Ms. Green’s years with the Township, the Township provided her with an internet connection and phone line through Century Link to maintain the Township’s electronic financial records from her residence. Upon her departure from the Township, these services through Century Link were not terminated and the Township continued to pay for the services until the account was closed in July 2018.

During Beth Croak’s term as fiscal officer, the Township’s general fund paid \$7,688 for these services that were no longer providing a benefit to the Township. Effective April 1, 2016, Ms. Croak’s term as fiscal officer ended and Marko Jesenko was elected to the position. Mr. Jesenko continued to pay for the services and the Township issued another \$1,732 from its general fund and \$3,800 from its road and bridge funds. In total, the Township spent \$13,220 on internet and phones services it was not receiving

Township Trustees signed the warrants resulting in improper payments. From 2012 through July 2018, there were a total of five trustees whom held the three available seats. Each Trustee is jointly and severally liable for the improper payments approved during their time in office summarized below:

Position	Term Dates	Trustee Name	Jointly & Severally Liable in favor of	
			General Fund	Road & Bridge Fund
Trustee	2012-2013	Roy Bailey	\$ 1,890	\$ -
	2014-current	Ed Bright	\$ 7,530	\$ 3,800
Trustee	2012-2017	Derek Myers	\$ 9,420	\$ 3,640
	2018- current	Daniel Wetzel	\$ -	\$ 160
Trustee	2012-2018	Jim Endsley	\$ 9,420	\$ 3,640

As required by law the Township bonded its Trustees with the Ohio Risk Management plan whom is also jointly and severally liable for the full amount of \$13,220.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a finding for recovery for public monies illegally expended is hereby issued against Beth Croak and her bonding company, Selective Insurance Company of America, in the amount of \$7,688 and in favor of the Jersey Township General fund.

Also in accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a finding for recovery for public monies illegally expended is hereby issued against Marko Jesenko and his bonding company, Selective Insurance Company of America, in the amount of \$5,532; of which \$1,732 is in favor of the Township’s General fund and \$3,800 is in favor of the Township’s road and bridge fund. Trustees and their bonding company, as noted above, are jointly and severally liable for these monies illegally expended as well.

Of these amounts, \$119 was evidenced as been paid out of pocket for internet services by Marko Jesenko, Fiscal officer. This amount is considered repaid under audit reducing the liability of Marko Jesenko, Ed Bright and Daniel Wetzel by \$119.

Officials' Response: The Township has responded to Finding 2017-011 discussed above. You may obtain a copy of their response from Fiscal Officer, Marko Jesenko by emailing fo@jerseytownship.us or calling (614) 395-5054.

12. **Certified Public Records Training- Noncompliance**

<i>Finding Number</i>	2017-012
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Ohio Rev. Code § 109.43(B) & 149.43(E)(1) requires that all state and local elected officials, or their designees, must attend at least 3 hours of training on Ohio's Public Records Laws during each term of office. The training received must be certified by the Ohio Attorney General. Proof that training has been completed must include documentation that either the Attorney General's Office or another entity certified by the Attorney General provided the training to the elected official, or his/her designee. Attendees who successfully complete the training will receive a certificate to serve as proof of training.

The Auditor of State receives a listing of all attendees of public records training and identified former Trustee Derek Myers did not attend public records trainings nor did the Township declare a designee to attend on his behalf within its minutes. By not completing the required training, the Township is at risk of not properly maintaining public records and has an increased risk of unallowable activity occurring.

We recommend that all elected officials, or their designees complete training on the public records and open meeting laws on an annual basis to be in compliance with ORC §109.43(B) & 149.43(E)(1).

Officials' Response: Township officials will work to complete all required training requirements.

13. **Negative Fund Balances-Internal Control Deficiency & Noncompliance**

<i>Finding Number</i>	2017-013
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Ohio Rev. Code § 5705.10(I) states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit fund balance indicates money from another fund or funds was used to pay obligations of funds that carry the deficit fund balance.

At fiscal year end, the Township had the following negative fund balances:

FUND	YEAR END	FUND BALANCE
Cemetery	December 2016	(\$6,641)
Cemetery	December 2017	(\$15,114)

The Township should monitor fund balances to ensure that expenditures are made within appropriated levels of available funds and if negative fund balances are anticipated, the Board should make an approved transfer or advance of funds to cover the necessary expenditure.

Officials' Response: The Township will implement monthly monitoring procedures of fund balances to help identify the existence of negative fund balances and approve transfers of additional funds accordingly.

14. **Allocation of Interest Earned- Noncompliance**

<i>Finding Number</i>	2017-014
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Ohio Rev. Code § 135.21 and **§ 5705.10(D)** stipulate that all interest earned must be credited to the general fund of the subdivision if the income does not meet one of the allowable exceptions.

Ohio Const. Art. XII, Section 5a, and **1982 Op. Atty. Gen. No. 82-031** further require that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.

The Township commingles its cash balances from governmental fund activities into one bank account held with PNC Bank. During 2015 and 2016, interest revenues were allocated entirely to the general fund. As a result, audit adjustments were applied to the financial statements to decrease general fund interest revenues and increase interest receipts in special revenue funds by \$21 and \$23 for fiscal year 2015 and 2016, respectively.

The Township should establish control procedures to help ensure the Township allocates interest earned as required by Ohio Rev. Code § 135.21 and § 5705.10, Ohio Const. Art. XII, Section 5a, and 1982 Op. Atty. Gen. No. 82-031.

Officials' Response: The Township will implement procedures to properly allocate interest earned on gas and motor vehicle license taxes accordingly or seek a non-interest bearing bank account.

**JERSEY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017, 2016 AND 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Bank Reconciliations – Material Weakness	No	Repeated as Finding 2017-002
2014-002	Financial Reporting – Material Weakness	No	Repeated as Finding 2017-003
2014-003	Public Records – Noncompliance	No	Repeated as Finding 2017-004
2014-004	Allocation of Revenues – Noncompliance and Material Weakness	No	Repeated as Finding 2017-010
2014-005	Delinquent Reporting of Federal Income Tax Withholdings – Noncompliance and Material Weakness	Yes	
2014-006	Budgetary Requirements – Noncompliance	No	Repeated as Finding 2017-001
2014-007	Timely Deposit and Recording of Money – Noncompliance	No	Repeated as Finding 2017-008.
2014-008	OPWC Issue II Funds – Noncompliance	Yes	
2014-009	Finding for Recovery: Receipts Collected but not Deposited	Yes	Finding for Recovery resolved with an agreed upon repayment plan.
2014-010	Finding for Recovery – Interest and Penalties	Yes	Finding for Recovery resolved with an agreed upon repayment plan.

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OHIO AUDITOR OF STATE KEITH FABER



JERSEY TOWNSHIP

LICKING 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
JULY 23, 2019**