



Dave Yost • Auditor of State

JEFFERSON TOWNSHIP
MUSKINGUM COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Jefferson Township
Muskingum County
1595 Main Street
Dresden, Ohio 43821

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Jefferson Township, Muskingum County, Ohio (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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our audit 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 § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (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 § 117.38 and Ohio Administrative Code § 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, Muskingum County, Ohio, 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 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.



Dave Yost
Auditor of State
Columbus, Ohio

December 8, 2016

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

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

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$22,359	\$119,794	\$16,608	\$158,761
Intergovernmental	19,596	96,655	0	116,251
Earnings on Investments	159	67	0	226
Miscellaneous	285	8,745	0	9,030
<i>Total Cash Receipts</i>	<u>42,399</u>	<u>225,261</u>	<u>16,608</u>	<u>284,268</u>
Cash Disbursements				
Current:				
General Government	19,844	6,171	0	26,015
Public Safety	0	25,555	0	25,555
Public Works	0	104,766	0	104,766
Conservation-Recreation	0	31,875	0	31,875
Capital Outlay	0	62,968	0	62,968
Debt Service:				
Principal Retirement	0	0	8,751	8,751
Interest and Fiscal Charges	0	0	7,360	7,360
<i>Total Cash Disbursements</i>	<u>19,844</u>	<u>231,335</u>	<u>16,111</u>	<u>267,290</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>22,555</u>	<u>(6,074)</u>	<u>497</u>	<u>16,978</u>
Other Financing Receipts (Disbursements)				
Sale of Bonds	0	62,968	0	62,968
Advances In	7,810	0	7,810	15,620
Advances Out	(7,810)	0	(7,810)	(15,620)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>62,968</u>	<u>0</u>	<u>62,968</u>
<i>Net Change in Fund Cash Balances</i>	<u>22,555</u>	<u>56,894</u>	<u>497</u>	<u>79,946</u>
<i>Fund Cash Balances, January 1</i>	<u>18,467</u>	<u>178,532</u>	<u>248</u>	<u>197,247</u>
Fund Cash Balances, December 31				
Restricted	0	186,696	745	187,441
Committed	0	48,730	0	48,730
Assigned	424	0	0	424
Unassigned	40,598	0	0	40,598
<i>Fund Cash Balances, December 31</i>	<u>\$41,022</u>	<u>\$235,426</u>	<u>\$745</u>	<u>\$277,193</u>

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

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

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

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$15,010	\$43,270	\$16,607	\$74,887
Intergovernmental	9,402	98,221	0	107,623
Earnings on Investments	128	66	0	194
Miscellaneous	11,217	10,515	0	21,732
<i>Total Cash Receipts</i>	<u>35,757</u>	<u>152,072</u>	<u>16,607</u>	<u>204,436</u>
Cash Disbursements				
Current:				
General Government	28,792	2,352	0	31,144
Public Safety	0	24,992	0	24,992
Public Works	0	92,157	0	92,157
Conservation-Recreation	0	49,016	0	49,016
Debt Service:				
Principal Retirement	0	0	8,159	8,159
Interest and Fiscal Charges	0	0	8,200	8,200
<i>Total Cash Disbursements</i>	<u>28,792</u>	<u>168,517</u>	<u>16,359</u>	<u>213,668</u>
<i>Excess of Receipts Over Disbursements</i>	<u>6,965</u>	<u>(16,445)</u>	<u>248</u>	<u>(9,232)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	0	2,000	0	2,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>2,000</u>	<u>0</u>	<u>2,000</u>
<i>Net Change in Fund Cash Balances</i>	6,965	(14,445)	248	(7,232)
<i>Fund Cash Balances, January 1</i>	<u>11,502</u>	<u>192,977</u>	<u>0</u>	<u>204,479</u>
Fund Cash Balances, December 31				
Restricted	0	150,885	248	151,133
Committed	0	27,647	0	27,647
Unassigned	18,467	0	0	18,467
<i>Fund Cash Balances, December 31</i>	<u>\$18,467</u>	<u>\$178,532</u>	<u>\$248</u>	<u>\$197,247</u>

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

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 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, Muskingum County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Dresden to provide both fire and ambulance services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool

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

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Fund Accounting

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

1. General Fund

The General Fund 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:

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

3. Debt Service Funds

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

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

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

E. Fund Balance

Fund balance is divided into four 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:

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance (Continued)

1. 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.

2. 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.

3. 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.

4. 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.

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED DEPOSITS

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

	<u>2015</u>	<u>2014</u>
Demand Deposits	<u>\$277,193</u>	<u>\$197,247</u>

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

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

2. EQUITY IN POOLED DEPOSITS (Continued)

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

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	\$39,352	\$42,399	\$3,047
Special Revenue	136,477	288,229	151,752
Debt Service	16,607	16,608	1
Total	\$192,436	\$347,236	\$154,800

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$19,844	(\$19,844)
Special Revenue	0	231,335	(231,335)
Debt Service	0	16,111	(16,111)
Total	\$0	\$267,290	(\$267,290)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,075	\$35,757	\$8,682
Special Revenue	147,763	154,072	6,309
Debt Service	16,607	16,607	0
Total	\$191,445	\$206,436	\$14,991

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$42,275	\$28,792	\$13,483
Special Revenue	186,936	168,517	18,419
Debt Service	18,000	16,359	1,641
Total	\$247,211	\$213,668	\$33,543

Contrary to Ohio Rev. Code § 5705.38, 5705.40 and 5705.41(B), the Township did not formally approve all appropriations causing expenditures to exceed appropriations for the year ending December 31, 2015.

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.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

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

4. PROPERTY TAX (Continued)

The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$193,737	4.00%
Truck Equipment Bond	62,968	2.63%
Total	\$256,705	

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

The Township issued equipment bonds for the purchase of a dump truck. The Township's taxing authority collateralized the bonds.

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

Year ending December 31:	General Obligation Bonds	Truck Equipment Bonds
2016	\$16,110	\$11,415
2017	16,110	11,415
2018	16,110	11,415
2019	16,110	11,415
2020	16,110	11,415
2021-2025	80,550	11,415
2026-2030	80,550	0
2031	16,110	0
Total	\$257,760	\$68,490

6. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. 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
MUSKINGUM COUNTY**

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

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

Risk Pool Membership

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014 (the latest information available):

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

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

7. RISK MANAGEMENT (Continued)

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

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

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Dave Yost • Auditor of State

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

Jefferson Township
Muskingum County
1595 Main Street
Dresden, Ohio 43821

To the Board of 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, Muskingum County, Ohio (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 December 8, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2015-001 through 2015-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2015-001 through 2015-002.

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, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

December 8, 2016

**JEFFERSON TOWNSHIP
MUSKINGUM 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

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. In addition, Ohio Rev. Code § 5705.40 states any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. Furthermore, Ohio Rev. Code § 5705.41(B) states no subdivision is to expend money unless it has been appropriated.

The Township filed its permanent appropriations with the County Auditor for 2015; however, no evidence was noted in the Township minutes of these appropriations being approved by the Board of Trustees. This resulted in all expenditures exceeding legally adopted appropriations for 2015. Additionally, for 2014, we noted three amendments to appropriations, ranging from \$1 to \$984, were posted to the accounting system without the approval of the Board of Trustees. The failure to properly approve Township appropriations and subsequent amendments could result in deficit fund balances or monies being spent on purposes other than those intended by the Board.

On or about the first day of each fiscal year, the Board of Trustees should pass a temporary appropriation measure for meeting the ordinary expenses of the Township until the permanent measure is adopted. We further recommend the adoption of this measure, and any subsequent amendments, be documented in the minutes and filed with the County Budget Commission.

FINDING NUMBER 2015-002

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03.

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue has external legal constraints as Restricted. GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as Committed. GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. GASB Cod. 1800.177 designates Unassigned fund balance as the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-002 (Continued)

Noncompliance and Material Weakness – Ohio. Admin Code § 117-2-02(A) (Continued)

During 2015, the Fiscal Officer classified certain significant transactions incorrectly as follows:

- General Fund balance of \$40,598 was posted as Assigned rather than as Unassigned.
- The Road and Bridge Fund balance, representing inside millage from property taxes, was posted as Restricted instead of Committed fund balance in the amount of \$48,730.
- Proceeds of Bonds, and the corresponding Capital Outlay expenditures, in the amounts of \$62,968, were not recorded by the Fiscal Officer.
- Homestead and rollback receipts of \$1,555, \$2,245, and \$2,564 were incorrectly posted as Property and Other Local Taxes rather than Intergovernmental Receipts in the General, Fire Levy, and Road and Bridge Funds, respectively.

During 2014, the Fiscal Officer classified certain significant transactions incorrectly as follows:

- The General Fund balance of \$18,467 was posted as Committed rather than as Unassigned.
- The Road and Bridge Fund balance, representing inside millage from property taxes, was posted as Restricted instead of Committed fund balance in the amount of \$27,647.
- Miscellaneous receipts of \$10,479 were reported as Special Items rather than Miscellaneous Cash Receipts.
- Homestead and rollback receipts of \$1,772, \$2,377, and \$2,710 were incorrectly posted as Property and Other Local Taxes rather than Intergovernmental Receipts in the General, Fire Levy, and Road and Bridge Funds, respectively.

Incorrect financial statement account classifications and balances could result in inaccurate reporting of the Township's financial information. Audit adjustments, with which management has agreed, have been recorded in the accompanying financial statements to properly reflect these amounts.

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

FINDING NUMBER 2015-003

Material Weakness

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

We noted estimated revenue approved by the Budget Commission did not agree to the amounts posted to the Township's UAN accounting system as follows:

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-003 (Continued)

Material Weakness (Continued)

Fund	Estimated Revenue per Budget Commission	Estimated Revenue per Revenue Status Report	Variance
For the year ending December 31, 2015:			
General	\$39,352	\$42,311	\$2,959
Gasoline Tax	91,847	97,895	6,048
Road and Bridge	40,498	59,932	19,434
Fire Levy	1,974	65,466	63,492
For the year ending December 31, 2014:			
General	\$27,075	\$37,025	\$9,950
Road and Bridge	24,481	25,505	1,024
Fire Levy	29,636	32,500	2,864

In addition, as discussed in Finding Number 2015-001, we did not note evidence of the Township's approval of appropriations for 2015 in the Township's minutes; however, we noted appropriations were posted to the Township's accounting system.

The Fiscal Officer should accurately post to the accounting system appropriations as approved by the Board of Trustees and estimated revenue as approved by the Budget Commission. Periodically, the Fiscal Officer should compare these approved amounts to amounts posted in the accounting system to ensure agreement.

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

**JEFFERSON TOWNSHIP
MUSKINGUM COUNTY**

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

Finding Number	Finding Summary	Status	Additional Information
2013-001	Noncompliance – The Township failed to establish a bond retirement fund for the repayment of debt contrary to Ohio Rev. Code § 5705.09(C).	Corrected.	
2013-002	Noncompliance – The Township failed to obtain prior certification for obligations from the Fiscal Officer as required by Ohio Rev. Code § 5705.41(D).	Not Corrected.	Repeated in the current year in a separate letter to management.
2013-003	Noncompliance and Material Weakness – The Township failed to appropriate for and post “on-behalf” activity related to a CDBG grant.	No Longer Valid.	
2013-004	Material Weakness – Documentation of time worked was not always available for employees.	Corrected.	
2013-005	Material Weakness – Various receipts and disbursements were posted to incorrect accounts.	Not Corrected.	Repeated as current year Finding Number 2015-002.



Dave Yost • Auditor of State

JEFFERSON TOWNSHIP

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 22, 2016**