



Dave Yost • Auditor of State

**JERSEY TOWNSHIP
LICKING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Jersey Township
Licking County
1481 Mink Road
Johnstown, OH 43031

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 Jersey Township, Licking County, Ohio (the Township) and as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2014 and 2013, 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 Jersey Township, Licking County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2017, 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

April 21, 2017

**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, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 107,995	\$ 540,863	\$ -	\$ 648,858
Licenses, Permits and Fees	8,836	9,725	-	18,561
Intergovernmental	32,808	192,530	254,660	479,998
Earnings on Investments	98	-	-	98
Miscellaneous	21,262	16,666	-	37,928
<i>Total Cash Receipts</i>	<u>170,999</u>	<u>759,784</u>	<u>254,660</u>	<u>1,185,443</u>
Cash Disbursements				
Current:			-	
General Government	265,696	-	-	265,696
Public Safety	-	241,138	-	241,138
Public Works	3,302	401,952	254,660	659,914
Health	-	15,602	-	15,602
<i>Total Cash Disbursements</i>	<u>268,998</u>	<u>658,692</u>	<u>254,660</u>	<u>1,182,350</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(97,999)</u>	<u>101,092</u>	<u>-</u>	<u>3,093</u>
Other Financing Receipts (Disbursements)				
OPWC Loan Proceeds	-	9,016	-	9,016
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>9,016</u>	<u>-</u>	<u>9,016</u>
<i>Net Change in Fund Cash Balances</i>	(97,999)	110,108	-	12,109
<i>Fund Cash Balances, January 1</i>	<u>417,009</u>	<u>380,508</u>	<u>-</u>	<u>797,517</u>
Fund Cash Balances, December 31				
Restricted	-	490,616	-	490,616
Assigned	3,896	-	-	3,896
Unassigned	315,114	-	-	315,114
<i>Fund Cash Balances, December 31</i>	<u>\$ 319,010</u>	<u>\$ 490,616</u>	<u>\$ -</u>	<u>\$ 809,626</u>

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

**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, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 108,929	\$ 522,084	\$ 631,013
Licenses, Permits and Fees	1,939	11,574	13,513
Intergovernmental	29,360	169,338	198,698
Earnings on Investments	103	-	103
Miscellaneous	1,094	10,532	11,626
<i>Total Cash Receipts</i>	<u>141,425</u>	<u>713,528</u>	<u>854,953</u>
Cash Disbursements			
Current:			
General Government	244,432	-	244,432
Public Safety	-	236,608	236,608
Public Works	315	289,224	289,539
Health	-	28,038	28,038
Capital Outlay	-	139,254	139,254
<i>Total Cash Disbursements</i>	<u>244,747</u>	<u>693,124</u>	<u>937,871</u>
<i>Net Change in Fund Cash Balances</i>	(103,322)	20,404	(82,918)
<i>Fund Cash Balances, January 1</i>	<u>520,331</u>	<u>360,104</u>	<u>880,435</u>
Fund Cash Balances, December 31			
Restricted	-	380,508	380,508
Assigned	11,799	-	11,799
Unassigned	405,210	-	405,210
<i>Fund Cash Balances, December 31</i>	<u>\$ 417,009</u>	<u>\$ 380,508</u>	<u>\$ 797,517</u>

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

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013**

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, and cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Licking County Sheriff to provide security of persons and property and Monroe Township to provide fire services and emergency medical services.

Public Entity Risk Pool

The Township participates in a public entity risk pool. Note 7 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.

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

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

OPWC Fund The Township received a grant from the Ohio Public Works Commission for the Beech Road Improvement project. The proceeds are restricted for capital improvement.

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 2014 and 2013 budgetary activity appears in Note 4.

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

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, 2014 AND 2013
(Continued)**

Note 3 - Compliance

Contrary to Ohio law, permanent appropriations were not filed with the County Auditor for 2013 and 2014. No appropriation measure is effective until the County Auditor files a certificate that the total appropriation from each fund does not exceed the total official estimate or amended official estimate. Therefore, all expenditures exceeded appropriations in fiscal years 2013 and 2014.

Note 4 - Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 150,000	\$ 170,999	\$ 20,999
Special Revenue	684,596	768,000	83,404
Capital Projects	254,660	254,660	-
Total	\$ 1,089,256	\$ 1,193,659	\$ 104,403

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 272,894	\$ (272,894)
Special Revenue	-	787,235	(787,235)
Capital Projects	-	254,660	(254,660)
Total	\$ -	\$ 1,314,789	\$ (1,314,789)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 300,072	\$ 141,425	\$ (158,647)
Special Revenue	729,086	713,528	(15,558)
Total	\$ 1,029,158	\$ 854,953	\$ (174,205)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 256,546	\$ (256,546)
Special Revenue	-	865,479	(865,479)
Total	\$ -	\$ 1,122,025	\$ (1,122,025)

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

Note 5 - 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:

	<u>2014</u>	<u>2013</u>
Total Deposits	<u>\$ 809,626</u>	<u>\$ 797,517</u>

Deposits

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

Note 6 - 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.

Note 7 - 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. The Plan's property retention remained unchanged from prior years. 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 774 and 783 members as of December 31, 2013 and 2014 respectively.

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

Note 7 - Risk Management (Continued)

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, 2013 and 2014.

	2013	2014
Assets	\$13,774,304	\$14,830,185
Liabilities	(7,968,395)	(8,942,504)
Members' Equity	\$5,805,909	\$5,887,681

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

Note 8 - 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, 2014.

Note 9 - 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, and OP&F contributes 0.5 percent to fund these benefits.

Note 10 - Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan (CQ18Q)	\$ 9,016	0%
Total	\$ 9,016	

**JERSEY TOWNSHIP
LICKING COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013
(Continued)**

Note 10 – Debt (Continued)

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:	OPWC Loan CQ18Q
2015	\$ 451
2016	902
2017	902
2018	902
2019	902
2020-2025	4,957
Total	\$ 9,016

Note 11 - 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 12 - Encumbrance Commitments

At December 31, 2014, the Township had encumbrance commitments as follows:

<u>Fund</u>	
General Fund	\$3,896
Motor Vehicle License Fund	3,722
Gasoline Tax Fund	12,440
Road and Bridge Fund	112,381
Total Encumbrances	\$132,439

At December 31, 2013, the Township had encumbrance commitments as follows:

<u>Fund</u>	
General Fund	\$11,799
Motor Vehicle License Fund	1,921
Gasoline Tax Fund	13,943
Road and Bridge Fund	156,491
Total Encumbrances	\$184,154

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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

Jersey Township
Licking County
1481 Mink Road
Johnstown, OH 43031

To the Board of 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 Jersey Township, Licking County, Ohio (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated April 21, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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 2014-001, 2014-002, 2014-004, 2014-005 and 2014-008 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 2014-003 through 2014-010.

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.

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.



Dave Yost
Auditor of State
Columbus, Ohio

April 21, 2017

**JERSEY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Bank Reconciliations - Material Weakness

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. 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 but not posted to the Township's accounting system and a list of items which were posted to the accounting system and not deposited.

Prior to the end of her term, the fiscal officer with the assistance of a visiting clerk made adjustments to the Township's accounting system but failed to maintain the supporting documentation on how those adjustments were calculated and allocated to the Township's various funds and failed to prepare corrected financial statements. The Township contracted with an independent accountant to prepare corrected financial statements on its behalf. The Independent Accountant, with the assistance of the fiscal officer of the audit period, prepared updated financial statements by netting the unrecorded revenues and expenditures per fund, understating the Township's total revenues and expenditures. Audit adjustments were made to remove the net unrecorded revenues and expenditures on the December 31, 2014 and December 31, 2013 financial statements.

Discrepancies identified in the reconciliations prepared by the Township included:

- Outstanding checks were reported inaccurately at December 31, 2014 and December 31, 2013.
- Revenues were not posted timely in the UAN system by the Fiscal Officer; some transactions were posted up to nine months late.
- Deposits were not taken to the bank timely. Refer to Finding Number 2014-007.
- Deposits in transit were not included on the Township's reconciliation
- Interest earned on Township accounts were not recorded in the UAN ledgers
- OPERS remittances paid online through ACH, manual checks, and bank charges of \$26,235 and \$50,595 in 2013 and 2014, respectively, were not recorded in the UAN system.

As a result of these discrepancies, inaccurate financial statements were prepared by the Township and submitted for audit. In addition, the bank reconciliation report provided to the Board of Trustees to aid in management decisions during the audit period were inaccurate. 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 2014-002 and 2014-004 summarizing audit adjustments applied to the Township's financial statements.

**JERSEY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-001

Bank Reconciliations - Material Weakness (Continued)

We recommend the Fiscal Officer 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.

FINDING NUMBER 2014-002

Financial Reporting - Material Weakness

Sound financial report is the responsibility of the Fiscal officer and the Board of Trustees. Implementing internal controls is an important responsibility of management to help ensure the accuracy of the Township's financial records. The Board needs to periodically monitor control procedures to verify they are functioning effectively. To serve as informed overseers of the financial reporting process, the Board of Trustees, at minimum, should periodically convene to perform the following functions:

- Review monthly financial reports, including cash reconciliations and budget vs. actual reports.
- Ensure revenues are deposited in a timely manner and are properly recorded in the accounting system.
- Ensure expenditures are properly supported with adequate documentation and are authorized in accordance with management policies and the Ohio Revised Code.
- Perform a comparison of year-to-year activity
- Review & approve the year-end financial statements.
- Perform follow up reviews on prior year audit comments to help ensure corrections were made.

At each monthly meeting, the only financial report reviewed by the Board of Trustees was the monthly bank reconciliation, which included large, unexplainable reconciling items. Multiple audit adjustments were proposed for fiscal year 2013 and 2014 to correct accounting errors. Audit adjustments identified and posted to the Township's financial statements for 2013 included the following:

- To increase intergovernmental revenues in the General fund, Road & Bridge fund and in the Fire fund by \$7,305, \$24,784 and \$11,392 respectively for homestead and rollback receipts received by the Township but not recorded in UAN.
- To reclassify \$233,862 of expenditures in the Fire Fund as Public Safety expenditures rather than general government.
- To record \$22,067 of OPERs expenditures in the General fund and \$4,168 of expenditures in the Road & Bridge fund that were not properly recorded on the Township's UAN ledgers.
- To record \$2,325 of cemetery receipts in the Cemetery fund and \$350 of zoning receipts and \$103 of interest in the General fund
- To reduce Licenses, fees and permits and increase miscellaneous receipts in the General fund by \$1,006 for misposting of insurance proceeds.

**JERSEY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-002 (Continued)

Financial Reporting - Material Weakness (Continued)

- To reclassify \$11,799 of unassigned fund balance in the General fund as assigned for encumbrances outstanding at fiscal year-end.

Audit adjustments identified and posted to the Township's financial statements for 2014 included the following:

- To reclassify \$12,721 of homestead and rollback revenues in the General fund as intergovernmental receipts.
- To record \$3,251 of Intergovernmental receipts in the General fund which were not properly recorded on the Township's UAN ledgers.
- To reclassify \$25,072 of homestead and rollback revenues in the Road & Bridge fund as intergovernmental receipts.
- To reclassify \$239,999 of expenditures in the Fire Fund as Public Safety expenditures rather than general government.
- To record \$1,075 of miscellaneous receipts in the Cemetery fund and \$855 of liquor permits, \$98 of interest receipts, and \$18,246 of miscellaneous receipts in the General fund which were not recorded in UAN.
- To record \$50,595 of OPERS expenditures in the General fund which were not recorded in UAN.
- To reclassify \$3,896 of unassigned fund balance in the General fund as assigned for encumbrances outstanding at fiscal year end

Adjustments noted above which had an effect on fund balances (not a reclassification) were posted to the Township's accounting system. Additional audit adjustments for both fiscal years were identified in Finding 2014- 004 and 2014-008.

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.

FINDING NUMBER 2014-003

Public Records - Noncompliance

Ohio Rev. Code §149.351(A) 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 commissions.

Ohio Rev. Code §121.22(C) states in part 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.

**JERSEY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-003 (Continued)

Public Records - Noncompliance (Continued)

During 2014 and 2013, the Township did not maintain a coherent filing system for its regular or special meetings. Of the twenty-four meetings held during our audit period, the Township was unable to provide documentation for fifteen meetings. For the minute records maintained, the minutes did not accurately reflect the actions the Board of Trustees took during its meetings.

Information excluded from the minutes is comprised of the following:

- Documenting when the Trustees approved the prior meeting's minutes
- Approval of bank reconciliations
- Approval of a contract with Time Warner Cable for franchise fees
- Approval of contracts for The Shelly Company for road improvements
- Approval of salary schedules for part-time employees
- Inconsistent approval of monthly bills by the Trustees

In addition, the Township failed to maintain the following public records:

- Detailed receipts for four credit card transactions totaling \$827
- Contracts or invoices for Spenco Excavating, Inc and The Shelly Company to support project expenditures.

Not adequately maintaining a complete record of Township meetings and supporting documentation for Township expenditures can result in violations of the Sunshine Law and increase the risk of unallowable activity occurring. Auditors were able to determine these expenditures were for a proper public purchase through alternative procedures.

The Township should develop procedures for the minutes of regular and special meetings to be reviewed and approved at the subsequent meeting and for the approval to be documented in the minutes. All approved minutes should be maintained in a file, readily available for public inspection, to help ensure that all significant Trustee decisions and resolutions are properly documented.

We also recommend the Township maintain all supporting documentation for its expenditures to allow the Township to be able to show the expenditure was for a proper public purchase.

FINDING NUMBER 2014-004

Allocation of Revenues - Noncompliance and Material Weakness

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.

**JERSEY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-004 (Continued)

Allocation of Revenues - Noncompliance and Material Weakness (Continued)

The following posting errors were identified:

<u>Posting Error</u>	<u>2013</u>	<u>2014</u>
Homestead/Rollback funds posted into the General Fund rather than the Road & Bridge and Fire Funds	\$36,041	\$38,058
County Auditor deductions recorded in the General Fund rather than the Road & Bridge and Fire Funds	7,645	3,402
To record Homestead/Rollback funds in the Road & Bridge Fund rather than the General and Fire Funds	0	20,596
To record Motor Vehicle License tax receipts posted in the Fire Fund rather than the Motor Vehicle Licenses Tax Fund	4,035	3,390
To record Zoning Receipts posted in the Cemetery Fund rather than the General Fund	664	0

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's Fiscal Officer made the adjustments to the Township's records and the adjustments are reflected in the accompanying financial statements.

We recommend the Township review its current financial reports for similar errors and to make adjustments as necessary. We also recommend the Township implement control procedures to identify similar errors in future financial reports.

FINDING NUMBER 2014-005

Delinquent Reporting of Federal Income Tax Withholdings – Noncompliance and Material Weakness

26 U.S.C. §3402 requires an employer to deduct and withhold Federal income tax from the compensation of Township officials. Withholdings are to be remitted to the Internal Revenue Services on a quarterly basis within 30 days following the end of the completed reporting period. The Township was not making timely remittances of its federal withholdings.

**JERSEY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-005 (Continued)

Delinquent Reporting of Federal Income Tax Withholdings – Noncompliance and Material Weakness (Continued)

<u>Quarterly Filing</u>	<u>Filing Deadline</u>	<u>Date Filed</u>
2013 First Quarter	4/30/2013	2/15/2016
2013 Second Quarter	7/31/2013	2/15/2016
2013 Third Quarter	10/31/2013	2/15/2016
2013 Fourth Quarter	1/31/2014	2/15/2016
2014 First Quarter	4/30/2014	2/15/2016
2014 Second Quarter	7/31/2014	2/15/2016
2014 Third Quarter	10/31/2014	2/15/2016
2014 Fourth Quarter	1/31/2015	2/15/2016

By not completing remittances in a timely manner the Township incurred \$16,439 in penalties and interest. Refer to finding number 2014-010.

We recommend the Township complete federal withholding remittances within the required reporting deadlines.

This issue will be referred to the Internal Revenue Service.

FINDING NUMBER 2014-006

Budgetary Requirements - Noncompliance

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 adopt a temporary appropriation measure at the beginning of fiscal year 2013, but failed to adopt a permanent appropriation measure until May 6, 2013. The Township failed to provide a copy of its approved appropriation measure to the County Auditor. The Township did not adopt a temporary or a permanent appropriation measure for fiscal year 2014. Unapproved appropriations were input into the Township's accounting system to allow expenditures to be processed.

Because approved appropriations 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 and the appropriation measure for 2013 was not effective. Therefore, all expenditures in 2013 and 2014 exceeded a duly authorized appropriation measure.

**JERSEY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-006 (Continued)

Budgetary Requirements – Noncompliance (Continued)

The Township did file its certificate of estimated resources with the County Auditor, however the estimated resources submitted to the County Auditor did not match the estimated resources recorded in the Township's accounting system. In most cases the amounts posted in the accounting system were higher than what was submitted to the County Auditor.

We recommend the Township Trustees 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 appropriation's in the accounting system to match the approved amounts.

We also recommend the Township 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.

The Township should consult its legal counsel and review the Auditor of State's, Ohio Compliance Supplement, and develop a budgetary schedule and timeline to assure all annual budgetary filings and compliance requirements are met.

FINDING NUMBER 2014-007

Timely Deposit and Recording of Money - Noncompliance

Ohio Rev. Code §9.38 states that a person who is a public official shall deposit all public moneys received by that person with the Township Fiscal Officer or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

The Township failed to timely deposit checks received from residents for cemetery deeds, fees, and for zoning fees. During 2013, we noted checks from Township residents dated in March, were deposited in April, and were not recorded in the receipts ledger until December. During 2014, checks from residents issued in May, were not deposited or recorded in the receipts ledger until November. In addition, we noted ACH deposits from the County Auditor totaling \$49,476 and \$58,399 in 2013 and 2014, respectively, which were not recorded or posted to the receipts ledger.

**JERSEY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-007 (Continued)

Timely Deposit and Recording of Money - Noncompliance (Continued)

Timely deposits reduce the risk of receipts being lost, misappropriated or improperly posted and going undetected by management. Seven zoning receipts collected by the township totaling \$795 and one Cemetery receipt for opening and closing fees in the amount of \$375 lacked evidence of ever being deposited into the Township's bank account. Refer to Finding Number 2014-009 in the schedule of findings for additional information.

We recommend the Fiscal Officer deposit all receipts with the financial institution and record the revenue in the Township's accounting ledgers in a timely manner. Receipt numbers representing a specific deposit should also be documented with the bank deposit. The Township Trustees should develop deposit policies to help ensure all individuals associated with receipt collection follow and the policies be monitored on a periodic basis.

FINDING NUMBER 2014-008

OPWC Issue II Funds- Non-compliance

Ohio Rev. Code §5705.09(F) requires that a subdivision establish a special fund for each class of revenue derived from a source, other than general property tax, which the law requires to be used for a particular purpose. Ohio Public Works Commission (OPWC) Project #CQ17Q Notification of Project Approval requires the following accounting methods specified in AOS Bulletin 2002-004. This accounting requirement is considered to be part of the terms and conditions of participation in Issue II programs Auditor of State Bulletin 2002-004 clarifies the application of Revised Code § 5705.09 to Issue II projects, and notes that the Township's Board of Trustees should establish, by resolution a separate Capital Projects fund to account for each Issue II project funded from the OPWC. Additionally, Ohio Rev. Code § 5705.42 provides that when the United States government or the state or any department, division, agency, authority, or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, or enters into an agreement with the subdivision for making of any such grant or loan of money, the amount thereof is deemed appropriated for such purpose by the taxing authority of the subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection within the meaning of section 5705.41 of the Revised Code.

Government Accounting Standards Board Statement 54 paragraph 33 states: "*Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.*"

**JERSEY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-008 (Continued)

OPWC Issue II Funds- Non-compliance (Continued)

In addition, Auditor of State's Audit Bulletin 2000-008 provides guidance to cash basis entities for the accounting treatment of on behalf transactions. The Audit Bulletin states:

When a local government enters into an on-behalf-of program agreement with another local government or the State, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

Jersey Township did not establish the required Capital Projects (Issue 2) Fund in accordance with Ohio Rev. Code § 5709.09(F) and the Township did not record the related revenues and expenditures of \$254,660 for the year ended December 31, 2014. The Township's Issue 2 monies went directly from OPWC to the appropriate contractor, as is common procedure with Issue 2 funding, and the Township did not record these monies coming into the Township or being expended to the contractor and failed to record the appropriations within its accounting records as required. Consequently, the Township violated Ohio Rev. Code § 5705.42 when it failed to properly account for these monies. The financial statements and footnotes include the proper adjustments to reflect the Issue 2 project within the Capital Projects Fund.

We recommend the Township establish a separate Capital Projects Fund for each Issue 2 project in order to account for the related receipts and disbursements to the extent the local government has received benefit from each project and budget for these monies accordingly.

FINDING NUMBER 2014-009

Finding for Recovery: Receipts Collected but not Deposited

The majority of Township revenue is received from the County Auditor's office or the State of Ohio and represents either property taxes or intergovernmental receipts. Jersey Township also collects revenues from its residents for zoning permits, sale of cemetery lots and for cemetery opening/closing services. The Township has designated two Township employees to collect revenues for zoning permits and the sale of cemetery lots. Revenues for opening and closing fees are typically paid by check and received by the fiscal officer.

For each zoning receipt, a zoning application and, if approved, a permit is maintained to support the related revenue received by the Township. A cemetery deed is issued for the sale of each lot. During the audit period, zoning applications and permits were tracked and maintained by the Zoning Inspector. Cemetery deeds were maintained in a separate file for each fiscal year maintained by the Road and Bridge Supervisor. Upon the receipt of revenues for either purpose, the responsible Township employee placed the payment in a mailbox for the fiscal officer to collect. The Township building was locked on a daily basis and was only visited by the fiscal officer as needed. It was the fiscal officer's responsibility to deposit all of the Township's revenues to the bank and to properly record the receipt in the Township's accounting ledgers.

**JERSEY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-009 (Continued)

Finding for Recovery: Receipts Collected but not Deposited (Continued)

The Township's accounting records indicated the Fiscal Officer had significant delays in posting revenues to the accounting ledgers. Some transactions were posted up to nine months after the receipt was collected. In conjunction, deposits were not performed in a timely manner. Some deposits were found to exist in the following fiscal year after the revenue was posted to the Township's accounting ledgers. Auditors were unable to identify evidence that a deposit was ever made for six zoning receipts totaling \$795 and one cemetery opening and closing receipt in the amount of \$375.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies collected but unaccounted for is hereby issued against Beth Croak and her bonding company, Selective Insurance Company of America, in the amount of \$1,170 and in favor of the Jersey Township General fund for \$795 and the Cemetery fund for \$375.

FINDING NUMBER 2014-010

Finding for Recovery - Interest and Penalties

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The law requires that employers withhold income and wage taxes from employees' paychecks and remit those taxes to the government. The United States Internal Revenue Code, for example, requires employers to deduct from wages paid to employees the employees' share of FICA taxes and individual income taxes. See 26 U.S.C. 3102(a) and 3402(a). Those withholdings are considered to be held in "a special fund in trust for the United States." 26 U.S.C. 7501(a). The employer is liable for the withheld portion of the employee's wages and must pay over the full amount to the government each quarter. See *United States v. Farr*, 536 F.3d 1174, 1176 (10th Circ. 2008).

In addition, under Ohio law, employers are required to withhold state income taxes and school district income taxes from employees' wages and transmit the funds to the state. See Ohio Rev. Code §§ 5747.06 and 5747.07. Under Ohio Rev. Code § 5747.07-(E)(2), each employer required to withhold any tax is liable for the payment of the amount required to be withheld and the amount shall be deemed to be a special fund in trust for the general revenue fund.

Beth Croak was elected to the position of fiscal officer for Jersey Township, Licking County beginning her term on April 1, 2012. As fiscal officer, Ms. Croak was responsible for withholding and remitting the required income taxes from employee earnings. During her term in office, Ms. Croak withheld, as required, amounts for federal and state local income taxes.

**JERSEY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-010 (Continued)

Finding for Recovery - Interest and Penalties (Continued)

However, she failed to timely file the Township's quarterly reports with the federal and state government, a gross neglect of duty amounting to reckless disregard for the Township. In addition, she did not file 941 remittance forms for second quarter 2012 through 3rd quarter 2015 with the IRS until February through April 2016. As a result of the delayed filings, the Township incurred \$15,382 in penalties and interest, which were paid by the Township in April 2016.

In addition, Ms. Croak failed to fully remit income tax withholdings to the State of Ohio for fiscal year 2013 in the amount of \$2,000. In 2015, the State referred the missing payment to the Ohio Attorney General Office's for collection. As a result, the Township paid an additional \$1,057 in fees, penalties and interest in February 2015.

In accordance with the foregoing facts and authorities, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money that has been illegally expended for failure to submit timely withholding contributions and reports to the federal and state governments resulting in late penalties and interest assessed against the Township is hereby issued against Beth Croak and her bonding company, Selective Insurance Company of America, in the amount of \$16,439 and in favor of the Townships funds from which the expenditures were paid.

Official's Response:

The current Trustees and Fiscal Officer would like to thank the State Auditors Office for the recommendations presented and discussed at our meeting Thursday, May 25th.

During this audit process we have become aware of many of the deficiencies that have been enumerated and are already in the process of taking steps to correct them. It is our sincere belief that with the Fiscal Officer currently in place all of these items can be addressed and corrected. The Trustees have given him full authority to seek assistance through the avenues available to him, i.e. traveling clerk, local government services, and an open dialog with the State Auditor's Office.

We would like to outline our intentions in correcting the deficiencies as noted in the Schedule of Findings for 2013 & 2014.

2014-001 Bank Reconciliations

Our Fiscal Officer recognizes the importance of timely and accurate Bank Reconciliations. He has already taken the steps to ensure that this will be a priority, and will be sure to present this information at our monthly meetings.

2014-002 Financial Reporting

Recommendations have been duly noted and will become a part of our regular activities.

**JERSEY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

Official's Response (Continued):

2014-003 Public Records

The Trustees in coordination with the current Fiscal Officer have taken steps to address and correct previous shortcomings. Meeting minutes are currently transcribed in a timely manner and posted on the Jersey Township Website for public perusal. Additionally we are considering several options for duplicate storage of tapes of meetings. Documentation of all expenditures is being closely monitored.

2014-004 Allocation of Revenues

Our Fiscal Officer has already acknowledged and addressed these errors and taken steps to see that they are corrected. The Trustees will continue to monitor Revenues through the monthly financial reports.

2014-005 Delinquent Reporting of Federal Income Tax Withholdings

Our Fiscal Officer has taken steps to comply with Federal Reporting Schedules.

2014-006 Budgetary Requirements

The Trustees will implement the recommendations noted regarding the requirements for Appropriations and reporting thereof.

2014-007 Timely Deposit and Recording of Money

The Trustees have already passed a motion instructing the Fiscal Officer to make deposits on a weekly basis (allowing for his commitment to his full-time employment). We are reviewing other options to shorten this time frame.

2014-008 OPWC Issue II Funds

The Fiscal Officer acknowledges and will implement recommendations included in the report.

2014-009 Finding for Recovery: Receipts Collected but not Deposited

This finding was disconcerting to the Trustees, and our Fiscal Officer will take the steps to see that all monies collected from Zoning Permits and Fees collected in conjunction with the cemetery are safeguarded, acquired and deposited in a timely fashion.

2014-010 Finding for Recovery – Interest and Penalties

Once again, these errors have been very upsetting to the Trustees due to the cost involved to the Township. Our current Fiscal Officer is acutely aware of the importance of timely remittance of payroll withholdings and is adhering to the required schedules.

**JERSEY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Budgetary Amounts in the Accounting System – Material Weakness	No	Repeated as Finding 2014-006.
2012-02	Bank Reconciliations – Material Weakness	No	Repeated as Finding 2014-001.

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Dave Yost • Auditor of State

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
JUNE 27, 2017**