

JEFFERSON TOWNSHIP  
LOGAN COUNTY, OHIO

Audited Financial Statements

For the Years Ended December 31, 2013 and 2012





# Dave Yost • Auditor of State

Board of Trustees  
Jefferson Township  
PO Box 10  
Zanesfield, Ohio 43360

We have reviewed the *Independent Auditors' Report* of Jefferson Township, Logan County, prepared by Van Krevel and Company, CPA's, for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Jefferson Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 25, 2014

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Jefferson Township  
Logan County, Ohio

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## INDEPENDENT AUDITORS' REPORT

Jefferson Township  
 Logan County, Ohio  
 P O Box 10  
 Zanesfield, Ohio 43360

To the Board of Trustees:

### Report on the Financial Statements

We have audited the accompanying financial statements of Jefferson Township, Logan County, Ohio, (the Township), as of and for the years ended December 31, 2013 and 2012.

### Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with financial reporting provisions that Ohio Revised Code Section 117.38 and Ohio Administrative 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 such 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 opinion.

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**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, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presume to be material.

**Adverse Opinion on U S Generally Accepted Accounting Principles**

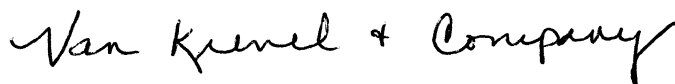
In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion on U S Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or the 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, Logan County, Ohio, as of December 31, 2013 and 2012, 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 September 2, 2014, 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.



Dublin, Ohio  
September 2, 2014



Jefferson Township  
Logan County, Ohio  
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances  
All Governmental Fund Types  
For the Year Ended December 31, 2013

	<b>Governmental Fund Types</b>		<b>Totals</b>
	<b>General</b>	<b>Special Revenue</b>	<b>(Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 69,447	\$ 107,191	\$ 176,638
Licenses, Permits, and Fees	2,818	4,196	7,014
Intergovernmental Receipts	25,787	108,303	134,090
Earnings on Investments	29	1,513	1,542
Miscellaneous	165	5,868	6,033
<b>Total Cash Receipts</b>	<b>98,246</b>	<b>227,071</b>	<b>325,317</b>
<b>Cash Disbursements:</b>			
Current:			
General Government	79,704	51	79,755
Public Safety	1,846		1,846
Public Works	254	125,453	125,707
Health	23,588	32,572	56,160
Conservation-Recreation	162	11,912	12,074
Intergovernmental		17,947	17,947
Capital Outlay		8,273	8,273
Debt Service:			
Redemption of Principal		17,482	17,482
Interest and Other Fiscal Charges		872	872
<b>Total Cash Disbursements</b>	<b>105,554</b>	<b>214,561</b>	<b>320,115</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(7,308)</b>	<b>12,510</b>	<b>5,202</b>
<b>Other Financing Receipts/(Disbursements):</b>			
Other Financing Uses	-		-
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Cash Balances</b>	<b>(7,308)</b>	<b>12,510</b>	<b>5,202</b>
Fund Cash Balances, January 1	64,139	202,646	266,785
<b>Fund Cash Balances, December 31</b>	<b>\$ 56,831</b>	<b>\$ 215,156</b>	<b>\$ 271,987</b>
Restricted		215,156	215,156
Assigned	54,139		54,139
Unassigned (Deficit)	2,692	-	2,692
	<b>\$ 56,831</b>	<b>\$ 215,156</b>	<b>\$ 271,987</b>

Jefferson Township  
 Logan County, Ohio  
 Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances  
 Fiduciary Fund Type  
 For the Year Ended December 31, 2013

	<b>Private Purpose Trust</b>	<b>Totals (Memorandum Only)</b>
Fund Cash Balances, January 1	809	809
<b>Fund Cash Balances, December 31</b>	<b>\$ 809</b>	<b>\$ 809</b>

Jefferson Township  
 Logan County, Ohio  
 Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances  
 All Governmental Fund Types  
 For the Year Ended December 31, 2012

	<u>Governmental Fund Types</u>		<b>Totals</b>
	<b>General</b>	<b>Special Revenue</b>	<b>(Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 64,035	\$ 97,892	\$ 161,927
Licenses, Permits, and Fees	2,294	5,353	7,647
Intergovernmental Receipts	47,282	107,294	154,576
Earnings on Investments	228	1,610	1,838
Miscellaneous	31,874	1,775	33,649
Total Cash Receipts	<u>145,713</u>	<u>213,924</u>	<u>359,637</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	97,495		97,495
Public Safety	1,845		1,845
Public Works	5,186	130,778	135,964
Health	23,395	43,125	66,520
Conservation/Recreation	228	13,540	13,768
Intergovernmental		22,369	22,369
Capital Outlay	-	17,964	17,964
Debt Service:			
Redemption of Principal		16,650	16,650
Interest and Other Fiscal Charges		1,703	1,703
Total Cash Disbursements	<u>128,149</u>	<u>246,129</u>	<u>374,278</u>
Total Cash Receipts Over/(Under) Cash Disbursements	17,564	(32,205)	(14,641)
Net Change in Fund Cash Balances	17,564	(32,205)	(14,641)
Fund Cash Balances, January 1	46,575	234,851	281,426
Fund Cash Balances, December 31	<u>\$ 64,139</u>	<u>\$ 202,646</u>	<u>\$ 266,785</u>
Restricted	-	202,646	202,646
Assigned	64,130		64,130
Unassigned (Deficit)	9		9
Fund Cash Balances, December 31	<u>\$ 64,139</u>	<u>\$ 202,646</u>	<u>\$ 266,785</u>

Jefferson Township  
 Logan County, Ohio  
 Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances  
 Fiduciary Fund Type  
 For the Year Ended December 31, 2012

	<b>Private Purpose Trust</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Disbursements</b>		
Other	51	51
Total Cash Disbursements	51	51
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(51)	(51)
Fund Cash Balances, January 1	860	860
<b>Fund Cash Balances, December 31</b>	<b>\$ 809</b>	<b>\$ 809</b>

Jefferson Township  
Logan County, Ohio

Notes to the Financial Statements  
December 31, 2013 and 2012

**NOTE 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, Logan County, (the Township) as a body corporate and politic. The Township is directed by a publicly-elected three-member Board of Trustees. The Township also has an elected Fiscal Officer. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance and park maintenance. The Township is taxing authority for the Dr. Earl Sloan Public Library. This relationship is further discussed in Notes 4 and 8 to the financial statements.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. 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.

**B Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values Federal Home Loan Mortgage Notes at cost.

Jefferson Township  
Logan County, Ohio

Notes to the Financial Statements  
December 31, 2013 and 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D Fund Accounting**

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

1 General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2 Special Revenue Funds

These funds account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes, other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

*Gasoline Tax Fund* – This fund receives gasoline tax monies to pay for constructing, maintaining and repairing Township roads.

*Road and Bridge Fund* – This fund receives property tax monies to pay for constructing, maintaining and repairing Township roads.

*Cemetery Fund* – This fund receives property tax monies to pay for maintaining the cemeteries located in the Township.

3 Capital Project Funds

These funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets. The Township had no significant capital project funds in 2013 and 2012.

Jefferson Township  
Logan County, Ohio

Notes to Financial Statements  
December 31, 2013 and 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D Fund Accounting**

4 Fiduciary Funds

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

The Township's private purpose trust fund is for the upkeep of the donors' graves. The original principal is to be maintained to generate interest income.

**E 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 unencumbered cash as of January 1. The County Budget Commission must also 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.

A summary of the 2013 and 2012 budgetary activity appears in Note 3.

Jefferson Township  
Logan County, Ohio

Notes to Financial Statements  
December 31, 2013 and 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental fund resources. The classifications are as follows:

*Non Spendable* – The Township classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

*Restricted* – A 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 the Township Trustees or a Township official delegated that authority by resolution or by State Statute.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.



Jefferson Township  
Logan County, Ohio

Notes to Financial Statements  
December 31, 2013 and 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G Property, Plant and Equipment**

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

**H Accumulated Leave**

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

**NOTE 2 EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2013</u>	<u>2012</u>
Demand Deposits	\$242,609	\$237,407
Federal Home Loan Mortgage Corporate Notes	<u>30,187</u>	<u>30,187</u>
Total Deposits and Investments	<u>\$272,796</u>	<u>\$267,594</u>

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

**Investments:** The Federal Reserve holds the Township's Federal Home Loan Mortgage Corporate Notes in book entry form in the name of the Township's investment company. The investment company maintains records identifying the Township as owner of these notes.

Jefferson Township  
Logan County, Ohio

Notes to Financial Statements  
December 31, 2013 and 2012

**NOTE 3 BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2013, follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 90,716	\$ 98,246	\$ 7,530
Special Revenue	198,250	227,071	28,821
Capital Projects	47,066	-	(47,066)
Trust	-	-	-
Totals	\$ 336,032	\$ 325,317	\$ (10,715)

2013 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 154,846	\$ 105,554	\$ 49,292
Special Revenue	363,518	214,561	148,957
Capital Projects	47,066	-	47,066
Trust	36	-	36
Totals	\$ 565,466	\$ 320,115	\$ 245,351

Jefferson Township  
Logan County, Ohio

Notes to Financial Statements  
December 31, 2013 and 2012

**NOTE 3 BUDGETARY ACTIVITY** (continued)

Budgetary activity for the year ending December 31, 2012, follows:

2012 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 113,350	\$ 145,713	\$ 32,363
Special Revenue	197,975	213,924	15,949
Capital Projects	-	-	-
Trust	6	-	(6)
Totals	\$ 311,331	\$ 359,637	\$ 48,306

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 183,354	\$ 128,149	\$ 55,205
Special Revenue	396,532	246,129	150,403
Capital Projects	-	-	-
Trust	36	51	(15)
Totals	\$ 579,922	\$ 374,329	\$ 205,593

**NOTE 4 PROPERTY TAXES**

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

Jefferson Township  
Logan County, Ohio

Notes to Financial Statements  
December 31, 2013 and 2012

**NOTE 4 PROPERTY TAXES** (continued)

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

The Township is the taxing authority for the Dr. Earl Sloan Public Library (the Library). As a result, the Township receives property tax and related intergovernmental revenue on behalf of the Library and then distributes it to the Library. The receipt and distribution of this money is included in the Property and Other Local Taxes and Intergovernmental Receipts and Intergovernmental Expenditure line items.

**NOTE 5 DEBT**

On September 9, 2009, the Township entered into a promissory note to purchase a dump truck with a maturity of September, 2013. The Township paid off this debt on September 20, 2013.

The Township had no outstanding debt at December 31, 2013.

**NOTE 6 RETIREMENT SYSTEM**

The Township's officials and 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 2013 and 2012, OPERS members contributed \$8,091 and \$7,841, respectively, 10% of their gross salaries, and the Township contributed an amount equaling \$11,327 and \$10,977, respectively, 14.0% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

Jefferson Township  
Logan County, Ohio

Notes to Financial Statements  
December 31, 2013 and 2012

**NOTE 7 RISK MANAGEMENT**

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (AEEP) which is also administered by York. APEEP provides the Pool with an excess risk sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Jefferson Township  
Logan County, Ohio

Notes to Financial Statements  
December 31, 2013 and 2012

**NOTE 7 RISK MANAGEMENT (continued)**

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	(8,486,363)	(9,355,082)
Net Assets	<u>\$26,467,923</u>	<u>\$25,416,188</u>

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 million and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 million and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$2,100.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Year</u>	<u>Contribution</u>
2013	\$3,909
2012	3,913

Jefferson Township  
Logan County, Ohio

Notes to Financial Statements  
December 31, 2013 and 2012

**NOTE 7 RISK MANAGEMENT** (continued)

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

**NOTE 8 – RELATED ORGANIZATION**

The Dr. Earl Sloan Public Library (the Library) is a district political subdivision of the State of Ohio. The Library is governed by a six member Board of Trustees. The Library possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the Township for operational subsidies. Although the Township does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Fiscal Officer at the Dr. Earl Sloan Public Library, 2817 Sandusky Street, Zanesfield, Ohio 43360.



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

Jefferson Township  
Logan County, Ohio  
P O Box 10  
Zanesfield, Ohio 43360

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 Jefferson Township, Logan County, Ohio, (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated September 2, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. According, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies, resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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. We consider findings 2013-001 and 2013-002 described in the accompanying Schedule of Findings to be material weaknesses.

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Jefferson Township  
Logan County, Ohio  
Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance with Other Matters  
Required by *Government Auditing Standards*

### **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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as 2013-002 and 2013-003.

### **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.

*Van Kruvel + Company*

Dublin, Ohio

September 2, 2014

Jefferson Township  
Logan County

Schedule of Findings  
December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number 2013-001

Material Weakness

Financial Reporting

Sound financial reporting is the responsibility of the fiscal officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Further, the Ohio Rev. Code Section 507.04 states the fiscal officer must keep an accurate record of the township's accounts and transactions. To assist in the effective management and reporting of financial resources, a township should have procedures in place to help assure that revenues and expenditures are correctly recorded in the accounting records and financial statements.

The Township opened a new account with Wells Fargo in 2012. In 2013 and 2012, the Fiscal Officer failed to report the transactions reported in these statements. Receipts were understated by \$1,600 and \$1,500 in the Nonexpendable Trust Fund for 2013 and 2012, respectively. In addition, disbursements were understated by \$160 and \$60 in the Nonexpendable Trust Fund for 2013 and 2012, respectively.

Further, as a result of audit procedures, the following errors were noted in the financial statements that required reclassification:

In 2013:

Health payments of \$12,634 were posted to General Government in the General Fund.

Health payments of \$10,954 were posted to Public Safety in the General Fund.

Redemption of Principal of \$17,482 and Interest Charges of \$872 were posted to Capital Outlay in the Road and Bridge, Cemetery and Park Funds.

Interest income in the amounts of \$1,991 and \$7,962 was erroneously recorded in the General Fund and Private Purpose Trust Fund, respectively.

In 2012:

Health payments of \$11,697 and \$11,698 were posted to General Government and Public Safety, respectively, in the General Fund.

Public Safety payments of \$1,845 were posted to General Government in the General Fund.

Redemption of Principal of \$16,651 and Interest Charges of \$1,703 were posted to Capital Outlay in the Gasoline Tax Fund.

Jefferson Township  
Logan County

Schedule of Findings  
December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number 2013-001 (continued)

The failure to correctly record revenues and expenditures in the accounting records and financial statements not only impacts the user's understanding of the financial operations, it also inhibits the Township Trustees and management's ability to make sound financial decisions, may impact the Township's ability to comply with budgetary laws, and can result in the material misstatement of the financial statements. The accompanying financial statements have been adjusted to correctly reflect this activity.

The Township's Fiscal Officer should review the Ohio Township Manual, the UAN Manual, and Auditor of State Bulletins for guidance in the recording of revenues and expenditures. The Township's Fiscal Officer and Trustees should also perform a periodic review of the financial records to help identify revenue and expenditure recording errors.

Official's Response: We did not receive a response from Officials to this finding.

Jefferson Township  
Logan County

Schedule of Findings  
December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number 2013-002

Material Weakness/Noncompliance Citation

Ohio Rev. Code Section 5705.10(D), states, in part, 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 is to be paid into a special revenue fund for such purpose. During 2013 and 2012, the Township failed to record certain Special Revenue Fund tax receipts from the Logan County Auditor in the proper funds.

Ohio Rev. Code Section 5705.10 further states, that “money that is paid into a fund must be used only for the purposes for which such fund has been established.” During 2013, the Township failed to record certain auditor and treasurer fees withheld from various Special Revenue Fund tax receipts in the proper funds.

The failure to record restricted revenues in the correct fund may violate the imposed restriction on the revenue, may result in the material misstatement of the financial statements, may impact the Township’s ability to make sound financial decisions, and may inhibit the users understanding of the financial statements.

The accompanying financial statements and accounting records have been adjusted to reflect this activity in the correct funds. Fund balances at December 31, were impacted as follows:

Fund	2013	Amount	Fund	2012	Amount
Cemetery	Increase	\$ 1,670	Cemetery		\$ --
Park	Increase	\$ 17	Park		\$ --
Library	Decrease	\$ (1,687)	Library	Decrease	\$ (854)
Non-Expendable		\$ --	Non-Expendable	Increase	\$ 854

The Township Fiscal Officer should utilize resources such as the Ohio Revised Code, Chapter 1 of the Ohio Compliance Supplement, the UAN Manual, and the Ohio Township Manual to provide guidance on the recording of revenues. In addition, the Township should implement review and monitoring procedures to help assure that revenues are recorded in the correct fund.

Officials’ Response: We did not receive a response from Officials to this finding.

Jefferson Township  
Logan County

Schedule of Findings  
December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number 2013-003

Noncompliance Citation

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. Ohio Revised Code Section 5705.40 allows an entity to amend or supplement appropriations.

During 2012, the fiscal officer entered estimated resources in excess of the amount filed with the budget commission for the General Fund. This resulted in appropriations exceeding estimated resources.

All local public offices should integrate budgetary amounts at the legal level of control or lower into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

This failure resulted in the following variance:

	<u>Budgeted Receipts Per UAN System</u>	<u>Budgeted Receipts Per Final Certificate Of Estimated Resources</u>	<u>Variance</u>
General Fund	\$134,419	\$ 113,350	\$21,069

Inaccurate budgetary information posted to the accounting system could result in management of the Township being unable to effectively monitor and report its budget versus actual status throughout the year. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present budgeted receipts as certified by the County Budget Commission.

We recommend that the Fiscal Officer record estimated receipts directly from the certificate of estimated resources and any amendments thereto. This will ensure useful comparisons of estimated to actual receipts made throughout the year and help indicate when an increased or decreased amended certificate should be obtained.

Officials Response: We did not receive a response from Township officials.

Jefferson Township  
Logan County

Schedule of Prior Audit Findings  
December 31, 2013 and 2012

<u>Finding</u>	<u>Description</u>	<u>Fully Corrected</u>	<u>Not Corrected; Partially Corrected; Significantly Different; Corrective Action Taken or Finding No Longer Valid; Explain.</u>
2011-001	Financial Reporting	No	Repeated as Finding 2013-001
2011-002	Ohio Rev Code Section 5705.36 (A)	No	Repeated as Finding 2013-002
2011-003	Amended Certificate of Estimated Resources	No	Repeated as Finding 2013-003
2011-004	Depository Agreement	Yes	



# Dave Yost • Auditor of State

**JEFFERSON TOWNSHIP**

**LOGAN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 7, 2014**