

***JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012





Dave Yost • Auditor of State

Board of Trustees
Jefferson Township
One Business Park Drive
Dayton, Ohio 45427

We have reviewed the *Report of Independent Accountants* of Jefferson Township, Montgomery County, prepared by Charles E. Harris & Associates, Inc., 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

December 2, 2014

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**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY
AUDIT REPORT
For Years Ending December 31, 2013 and 2012**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Jefferson Township, Montgomery County
One Business Park Drive
Dayton, Ohio 45427

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Jefferson Township, Montgomery County, (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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy 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 presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

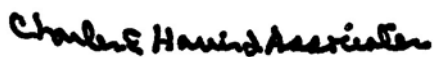
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Jefferson Township, Montgomery County, as of December 31, 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 permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 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.



Charles E. Harris & Associates, Inc.

October 6, 2014

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Other Local Taxes	\$ 92,508	\$ 1,117,061	-	\$ 1,209,569
Intergovernmental	115,237	383,162	-	498,399
Charges for Services	-	210,204	-	210,204
Fines, Licenses, Permits and Fees	79,466	1,450	-	80,916
Special Assessments	-	228,521	-	228,521
Interest	31	-	-	31
Miscellaneous	62,926	18,686	-	81,612
Total Receipts	350,168	1,959,084	-	2,309,252
Disbursements:				
Current:				
General Government	331,355	15,137	-	346,492
Public Safety	-	1,250,610	-	1,250,610
Public Health Services	-	260	-	260
Public Works	-	454,294	-	454,294
Debt Service:				
Redemption of Principal	12,000	108,155	-	120,155
Interest and Fiscal Charges	17,945	22,052	-	39,997
Total Disbursements	361,300	1,850,508	-	2,211,808
Total Receipts Over(Under) Disbursements	(11,132)	108,576	-	97,444
Other Financing Receipts				
Sale of Fixed Assets	10,000	-	-	10,000
Total Other Financing Receipts	10,000	-	-	10,000
Net Change in Fund Cash Balances	(1,132)	108,576	-	107,444
Fund Cash Balances 1/1/2013	138,042	446,100	\$ 24,998	609,140
Restricted	-	554,651	24,998	579,649
Unassigned	136,023	-	-	136,023
Fund Cash Balance 12/31/2013	\$ 136,910	\$ 554,676	\$ 24,998	\$ 716,584

See accompanying Notes to the Financial Statements.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Other Local Taxes	\$ 91,950	\$ 1,099,004	-	\$ 1,190,954
Intergovernmental	352,871	383,417	-	736,288
Charges for Services	-	217,402	-	217,402
Fines, Licenses, Permits and Fees	55,736	203	-	55,939
Special Assessments	-	219,993	-	219,993
Miscellaneous	24,093	13,868	-	37,961
Total Receipts	524,650	1,933,887	-	2,458,537
Disbursements:				
Current:				
General Government	406,349	9,739	-	416,088
Public Safety	220	1,128,615	-	1,128,835
Public Health Services	-	725	-	725
Public Works	-	461,669	-	461,669
Capital Outlay	-	206,209	-	206,209
Debt Service:				
Redemption of Principal	12,000	87,511	-	99,511
Interest and Fiscal Charges	18,500	23,365	-	41,865
Total Disbursements	437,069	1,917,833	-	2,354,902
Total Receipts Over(Under) Disbursements	87,581	16,054	-	103,635
Other Financing Receipts/(Disbursements)				
Debt Proceeds	-	179,903	-	179,903
Advances-In	20,000	-	-	20,000
Advances-Out	-	(20,000)	-	(20,000)
Total Other Financing Receipts/(Disbursements)	20,000	159,903	-	179,903
Net Change in Fund Cash Balances	107,581	175,957	-	283,538
Fund Cash Balances 1/1/2012, Restated Note 9	30,461	270,143	\$ 24,998	325,602
Restricted	-	446,100	24,998	471,098
Unassigned	138,042	-	-	138,042
Fund Cash Balance 12/31/2012	\$ 138,042	\$ 446,100	\$ 24,998	\$ 609,140

See accompanying Notes to the Financial Statements.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

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

B. BASIS OF ACCOUNTING

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 maintains an interest bearing checking account.

D. FUND ACCOUNTING

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

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

General Fund: The general fund reports all financial resources except those required to be accounted for in another fund.

Special Revenue Funds: These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditures for specific purposes. The Township had the following significant Special Revenue Funds:

- Police Fund – This fund receives property tax money to provide police protection for Township residents by contracting with the Montgomery County Sheriff’s Office.
- Fire Fund – This fund receives property tax money to provide fire protection services to Township residents.
- Road and Bridge Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.
- Lighting District Fund – This fund receives property tax money to provide street lighting throughout the Township.

Capital Projects Fund: These funds are used to account for receipts that are restricted for the acquisition on construction of major capital projects. The Township had the following significant Capital Projects Fund:

- Permanent Improvement Fund – This fund received monies from note and bond proceeds and these funds were utilized for the construction of a new Township building and fire station.

Agency Fund: Agency fund is purely custodial in nature and is used to hold resources for individuals, organizations or other governments. The Township had the following significant Agency Fund:

- Burned Down Structures Fund – This fund receives monies from insurance companies and reimburses residents when their buildings are fixed.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 2013 and 2012 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

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

G. Fund Balances

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

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. FUND BALANCES- (Continued)

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted

Fund balance is reported as 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.

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board, which includes giving the Fiscal Officer the authority to constrain monies for intended purposes.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. FUND BALANCES- (Continued)

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Township maintains a deposit and investment pool used by all funds. 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	\$716,584	\$609,140

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township

3. 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.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

3. PROPERTY TAXES – (Continued)

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

<u>Fund:</u>	<u>2013 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$ 399,491	\$ 360,168	\$ (39,323)
Special Revenue Funds	2,119,005	1,959,084	(159,921)

<u>Fund:</u>	<u>2013 Budgeted vs Actual Budgetary Basis Disbursements</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	
General Fund	\$ 292,727	\$ 361,300	\$ (68,573)
Special Revenue Funds	1,957,650	1,850,508	107,142

<u>Fund:</u>	<u>2012 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$ 620,312	\$ 524,650	\$ (95,662)
Special Revenue Funds	1,714,882	2,113,790	398,908

<u>Fund:</u>	<u>2012 Budgeted vs Actual Budgetary Basis Disbursements</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	
General Fund	\$ 399,368	\$ 437,069	\$ (37,701)
Special Revenue Funds	2,085,811	1,917,833	167,978

5. RETIREMENT SYSTEM

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. For 2013 and 2012 OPERS, members contributed 10.0% of their gross pay while the Township contributed an amount equal to 14.0% of covered payroll. The Township paid all required contributions through 2013.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

6. RISK MANAGEMENT

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 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.

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 Position	\$26,467,923	\$25,416,188

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

6. RISK MANAGEMENT – (Continued)

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 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 \$25,000.

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>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$44,903	\$45,378

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.

7. DEBT

Debt outstanding December 31, 2013 was as follow:

	<u>2013</u>	<u>Interest Rate</u>
Township Building Bonds	\$ 379,000	4.625%
Fire Station Bonds	253,000	4.625%
Fire Truck Lease	68,653	4.205%
Ambulance Loan	<u>129,263</u>	3.290%
Total	<u>\$ 829,916</u>	

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

7. DEBT – (Continued)

The Township issued the two General Obligation bonds to finance the construction of the Township Building and fire station in the amount of \$812,000. The bonds are scheduled to be repaid in 2032.

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

The Township entered into a capitalized lease for three (3) fire trucks during 2005 in the amount of \$550,000. The capitalized lease is scheduled to be repaid in 2014.

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

Year Ending December 31,	General Obligation Bond	Capitalized Lease	Ambulance
2014	\$ 50,451	\$71,540	\$ 39,402
2015	50,451	-	39,402
2016	50,451	-	39,402
2017	50,451	-	19,401
2018	50,451	-	-
2019-2023	252,255	-	-
2024-2028	252,255	-	-
2029-2032	<u>151,353</u>	-	-
Total	<u>\$ 908,118</u>	<u>\$71,540</u>	<u>\$ 137,607</u>

8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

9. PRIOR PERIOD ADJUSTMENT

The Township had \$1,981 of outstanding checks at December 31, 2011, subsequently voided and restored to cash. The following funds had its beginning balances adjusted accordingly:

Fund Type	Balance December 31, 2011	Prior Period Adjustment	Adjusted Balance December 31, 2011
General Fund	\$ 30,246	\$ 215	\$ 30,461
Special Revenue Funds	268,377	1,766	270,143

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

10. BUDGETARY NONCOMPLIANCE

The Township had the following citation for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41(B)**, the Township had expenditures that exceeded appropriations in the General fund for both years.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Jefferson Township, Montgomery County
One Business Park Drive
Dayton, Ohio 45427

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, Montgomery County, (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 October 6, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all internal control deficiencies 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 2013-003 through 2013-005 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

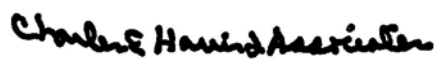
As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial 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 2013-002 and 2013-004.

Entity'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.



Charles E. Harris & Associates, Inc.
October 6, 2014

**JEFFRESON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Material Weakness - Bank Reconciliations

The bank reconciliations at December 31, 2013 and 2012 were off by \$19,653 and \$2,817 respectively. The Township has two secondary accounts and they are being included in the reconciliations at the incorrect amounts and several transactions were incorrectly recorded. The financial statements have been adjusted for both years and the Township has agreed and adjusted its records accordingly.

Without complete and accurate monthly bank reconciliations, the Township's internal control is weakened, which could hinder the detection of errors or irregularities by the Township's management in a timely manner.

We recommend that the Township complete formal bank reconciliations for their bank accounts. If there are reconciling items, the Fiscal Officer should determine the accuracy of these items and update the accounting system and records timely. Also, the monthly bank reconciliations should be presented and reviewed by someone other than the person performing the reconciliation, such as a member of the Township Trustees. The individual(s) should review the monthly reconciliations to provide assurance that the amounts reported are accurate and agree ending bank balances per the reconciliation to the bank statement. The individual(s) also should sign and date the reconciliations as evidence the review has been performed.

Management's Response:

The Township Trustees have indicated they will closely review the monthly bank reconciliations.

**FINDING NUMBER 2013-002
Noncompliance Citation**

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

We noted the following funds had disbursements plus encumbrances that exceeded appropriations at December 31, 2013:

Fund	Approved Appropriations	Budgetary Disbursements	Variance
General Fund	\$292,727	\$361,300	\$ (68,573)

**JEFFRESON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2013 AND 2012**

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

We noted the following funds had disbursements plus encumbrances that exceeded appropriations at December 31, 2012:

Fund	Approved Appropriations	Budgetary Disbursements	Variance
General Fund	\$399,368	\$437,069	\$ (37,701)

The Fiscal Officer should deny payment requests exceeding appropriations, as required by Ohio Rev. Code Section 5705.41(B). We recommend the Board and the Fiscal Officer compare expenditures to appropriations on a regular basis. If appropriations in addition to those already adopted will be needed, then the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

Management’s Response:

The Fiscal Officer will review budgetary requirements and implement as necessary.

FINDING NUMBER 2013-003

Material Weakness - Budgetary Entries in UAN System

The budgetary entries in the UAN system did not reconcile with the amended certificates of estimated resources or approved appropriation resolutions passed by the Board of Trustees. Therefore, the Board cannot properly monitor Township disbursements and receipts and management cannot adequately monitor budgetary regulations. The audit report reflects the amounts approved by the Board.

We recommend that the Fiscal Officer post all budgetary information to the computer system on a regular basis. This will enhance the Township’s ability to monitor all budgetary receipts and disbursements in comparison to actual receipts and disbursements.

Management’s Response:

The Fiscal Officer will review budgetary requirements and implement as necessary.

**JEFFRESON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-004

Material Weakness – Noncompliance Citation – Missing Supporting Documentation

Ohio Rev. Code Section 149.43 states in part that “all public records shall be promptly prepared and made available for inspection to any member of the general public at all reasonable times during regular business hours.” “Record” for purposes of the public records law, means any document, device, or item, regardless of physical form or characteristic, created, received by or coming under the jurisdiction of any public office which serves to document the organization, functions, policies, decisions, procedures, operations, or other activities of the public office.

Further, Ohio Rev. Code Section 149.351 states that “all records are 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 commission provided for under the Ohio Rev. Code Sections 149.38 to 149.42”.

Supporting documentation, such as vendor invoices, was not available for disbursements of public monies for 10% of expenditures tested. The payments were determined to be for a proper public purpose by applying alternate procedures. Failure to retain public records could result in the Township’s inability to detect errors or irregularities in the normal course of business. The Township should maintain all supporting documents to allow the Township to demonstrate that expenditures meet the criteria of public purpose.

Management’s Response:

The Fiscal Officer will ensure that all supporting documents are properly maintained and filed.

FINDING NUMBER 2013-005

Material Weakness - Incorrect Accounting Transactions

During the audit of the Township’s financial records for the years ended December 31, 2013 and 2012, we noted numerous transactions incorrectly recorded. The financial statements and Township’s records have been adjusted and reclassified to present the accounting information correctly. Below is a listing of the main erroneous accounting transactions:

**JEFFRESON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)
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FINDING NUMBER 2013-005 – (Continued)

The Township has agreed with the required adjustments and reclassifications. Below is a listing of the various erroneous accounting transactions:

- During 2013, proceeds of property tax collections from the Montgomery Auditor were recorded as intergovernmental revenue received from the State of Ohio. They were reclassified as Property and Other Local Taxes.
- During 2013, proceeds of property tax collections from the Montgomery Auditor were recorded as miscellaneous non operating revenue. They were reclassified as Property and Other Local Taxes.
- During 2013 and 2012, proceeds of special assessments from the Montgomery Auditor received for the Lighting fund were credited to the General fund. They were reclassified to the Lighting fund and credited to Special Assessments.
- During 2013 and 2012, proceeds of estate tax collections from the Montgomery Auditor were recorded as Property and Other Local Taxes. They were reclassified as Intergovernmental Revenue.
- During 2013, proceeds of a grant from the Montgomery Auditor were recorded as miscellaneous non operating revenue. It was reclassified as Intergovernmental Revenue.
- During 2013 several receipts were recorded at the incorrect amounts. Those transactions have been adjusted accordingly.

We recommend that the Township closely follow the Ohio Township Handbook, UAN and the Ohio Revised Code when recording transactions. We also recommend that the Fiscal Officer contact the Auditor of State for additional guidance as needed.

Management’s Response:

The Fiscal Officer will follow the Ohio Township Handbook to correctly record all transactions.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-001	Township did not properly prepare bank reconciliations.	No	Repeated as finding # 2013-001.
2011-002	Contrary to Ohio Rev. Code Section 5705.38(C), the Township's appropriation resolution failed to set forth the amounts for each office, department, and division and the personal services for each.	Yes	No longer valid
2011-003	Contrary to Ohio Rev. Code Section 5705.41(B), the Township had budgetary expenditures in excess of appropriations.	No	Repeated as finding # 2013-002.
2011-004	Contrary to Ohio Rev. Code Section 5705.10, the Township had negative fund cash balances.	Yes	No longer valid
2011-005	The Township did not correctly enter budgetary entries into the UAN System.	No	Repeated as finding # 2013-003.
2011-006	The Township's Board failed to approve two transfer resolutions.	Yes	No longer valid
2011-007	The Township had missing supporting documentation.	No	Repeated as finding # 2013-004.
2011-008	The Township had incorrect accounting transactions.	No	Repeated as finding # 2013-005



Dave Yost • Auditor of State

JEFFERSON TOWNSHIP

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 16, 2014**