

Jefferson Township  
Scioto County  
Regular Audit  
For the Years Ended December 31, 2013 and 2012



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# Dave Yost • Auditor of State

Board of Trustees  
Jefferson Township  
266 Greenbriar Road  
Lucasville, Ohio 45648

We have reviewed the *Independent Auditor's Report* of Jefferson Township, Scioto County, prepared by Millhuff-Stang, CPA, 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

October 30, 2014

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**Jefferson Township**  
**Scioto County**  
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*For the Years Ended December 31, 2013 and 2012*

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**Independent Auditor's Report**

Board of Trustees  
Jefferson Township  
Scioto County  
266 Greenbriar Road  
Lucasville, Ohio 45648

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Jefferson Township, Scioto 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(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 opinion.

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

As described in Note 1 of the financial statements, the Township has 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 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 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, Scioto 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(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 July 8, 2014 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The 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.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

July 8, 2014



**Jefferson Township**  
**Scioto 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*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$68,328	\$323,650	\$391,978
Licenses, Permits, and Fees	0	2,750	2,750
Intergovernmental	23,600	164,293	187,893
Earnings on Investments	37	0	37
Special Assessments	5,058	0	5,058
Miscellaneous	2,521	5,196	7,717
<b>Total Cash Receipts</b>	<b>99,544</b>	<b>495,889</b>	<b>595,433</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	68,674	3,711	72,385
Public Safety	0	106,602	106,602
Public Works	0	174,284	174,284
Health	19,562	2,350	21,912
Human Services	0	9,911	9,911
Capital Outlay	0	188,552	188,552
<b>Debt Service:</b>			
Redemption of Principal	0	8,400	8,400
<b>Total Cash Disbursements</b>	<b>88,236</b>	<b>493,810</b>	<b>582,046</b>
<b>Total Cash Receipts Over Cash Disbursements</b>	<b>11,308</b>	<b>2,079</b>	<b>13,387</b>
<b>Fund Cash Balances, January 1</b>	<b>8,781</b>	<b>343,588</b>	<b>352,369</b>
<b>Fund Cash Balances, December 31</b>			
<b>Restricted for:</b>			
Emergency Medical Services	0	28,873	28,873
Fire Operations	0	186,093	186,093
Recreation Programs	0	17,016	17,016
Road and Bridge Maintenance and Improvements	0	78,743	78,743
Cemetery	0	3,200	3,200
<b>Committed to:</b>			
Road and Bridge Maintenance and Improvements	0	31,742	31,742
Unassigned	20,089	0	20,089
<b>Fund Cash Balances, December 31</b>	<b>\$20,089</b>	<b>\$345,667</b>	<b>\$365,756</b>

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

**Jefferson Township**  
**Scioto 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*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$69,728	\$313,145	\$382,873
Licenses, Permits, and Fees	0	5,500	5,500
Intergovernmental	18,824	153,039	171,863
Earnings on Investments	51	0	51
Miscellaneous	1,096	1,679	2,775
<b>Total Cash Receipts</b>	<b>89,699</b>	<b>473,363</b>	<b>563,062</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	79,952	1,915	81,867
Public Safety	0	109,809	109,809
Public Works	0	173,379	173,379
Health	21,376	2,700	24,076
Human Services	0	7,091	7,091
Capital Outlay	0	159,382	159,382
<b>Debt Service:</b>			
Redemption of Principal	0	42,142	42,142
Interest and Other Fiscal Charges	0	1,990	1,990
<b>Total Cash Disbursements</b>	<b>101,328</b>	<b>498,408</b>	<b>599,736</b>
<b>Total Cash Receipts Under Cash Disbursements</b>	<b>(11,629)</b>	<b>(25,045)</b>	<b>(36,674)</b>
<b>Other Financing Sources:</b>			
Sale of Fixed Assets	4,222	0	4,222
<b>Total Other Financing Sources</b>	<b>4,222</b>	<b>0</b>	<b>4,222</b>
<b>Excess of Cash Receipts and Other Financing Sources Under Cash Disbursements</b>	<b>(7,407)</b>	<b>(25,045)</b>	<b>(32,452)</b>
<b>Fund Cash Balances, January 1</b>	<b>16,188</b>	<b>368,633</b>	<b>384,821</b>
<b>Fund Cash Balances, December 31</b>			
<b>Restricted for:</b>			
Emergency Medical Services	0	30,469	30,469
Fire Operations	0	149,179	149,179
Recreation Programs	0	15,730	15,730
Road and Bridge Maintenance and Improvements	0	63,678	63,678
Cemetery	0	2,800	2,800
<b>Committed to:</b>			
Road and Bridge Maintenance and Improvements	0	81,732	81,732
Unassigned	8,781	0	8,781
<b>Fund Cash Balances, December 31</b>	<b>\$8,781</b>	<b>\$343,588</b>	<b>\$352,369</b>

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

**Jefferson Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**Note 1 – Summary of Significant Accounting Policies**

**Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Jefferson Township, Scioto County (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general road and bridge services, including road and bridge maintenance (public works) and fire protection (public safety).

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is: Ohio Township Association Risk Management Authority (OTARMA) – This is a risk sharing pool available to all Townships for property and casualty insurance coverage.

The Township contracts with Minford Emergency Ambulance Services, Inc, for ambulance services.

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

**Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State of Ohio 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.

**Cash**

The Township maintains its cash pool in an interest-bearing checking account with a local commercial bank.

**Fund Accounting**

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

*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 those from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

**Jefferson Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

*Special Revenue Funds (Continued)*

Road and Bridge Fund - This fund receives tax money for the repairs and upkeep of the Township's roads.

Fire Fund - This fund receives tax money for providing fire protection services.

Firehouse & Equipment Fund – This fund receives tax money for the maintenance of the firehouse and fire equipment.

**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. The County Budget Commission must also approve the annual appropriation measure. 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 also 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 cancelled and re-appropriated in the subsequent year.

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

**Fund Balances**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of the resources in the governmental funds. 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.

**Jefferson Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

*Committed* – Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amends 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.

**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.

**Note 2 – Equity in Pooled Cash**

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

	<u>2013</u>	<u>2012</u>
Demand Deposits	\$365,756	\$352,369

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

**Jefferson Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**Note 3 – Budgetary Activity**

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$92,988	\$99,544	\$6,556
Special Revenue	448,211	495,889	47,678
Total	\$541,199	\$595,433	\$54,234

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$63,687	\$88,236	(\$24,549)
Special Revenue	492,700	493,810	(1,110)
Total	\$556,387	\$582,046	(\$25,659)

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$93,247	\$93,921	\$674
Special Revenue	445,068	473,363	28,295
Total	\$538,315	\$567,284	\$28,969

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$110,068	\$101,328	\$8,740
Special Revenue	812,852	498,408	314,444
Total	\$922,920	\$599,736	\$323,184

Contrary to Ohio Revised Code Section 5705.41(B), the Township had expenditures in excess of appropriations in 2013.

Contrary to Ohio Revised Code Section 5705.41(D), the Township properly encumber funds.

**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**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**Note 4 – Property Taxes (Continued)**

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

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

**Note 5 – Debt**

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Firehouse	\$ 12,600	0.00%

The Township issued Ohio Department of Commerce – Small Government Fire Department Services Revolving Loan Program debt to finance the building of a new firehouse.

The Township issued a Promissory Note with Oak Hill Banks to purchase a fire truck in 2007. This Note was paid in full in 2013.

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

<u>Year Ending December 31:</u>	<u>Ohio Department of Commerce</u>
2014	\$8,400
2015	4,200
Total	<u>\$12,600</u>

**Note 6 – Retirement System**

The Township’s employees and officials 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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2013.

**Jefferson Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**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. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting services, 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 Coverage 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:

	<b><u>2013</u></b>	<b><u>2012</u></b>
Assets	\$34,954,286	\$34,771,270
Liabilities	<u>(8,486,363)</u>	<u>(9,355,082)</u>
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 and retained earnings above also include approximately \$7.4 million and \$7.8 million of unpaid claims to be billed to 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. The Township’s share of these unpaid claims is approximately \$8,000.

Based on discussions with OTARMA the expected rates charged by OTARMA 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 liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the years ending December 31, 2013 and 2012 were \$14,599 and \$14,602, respectively.



**Jefferson Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2013 and 2012*

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**Note 7 – Risk Management (Continued)**

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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 9 – Contingent Liabilities**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. 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 10 – Subsequent Events**

In March, 2014, the Board of Trustees accepted a bid to purchase a fire truck for \$277,731.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Trustees  
Jefferson Township  
Scioto County  
266 Greenbriar Road  
Lucasville, Ohio 45648

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Jefferson Township, Scioto 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 July 8, 2014, wherein we noted the Township followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 the deficiencies described in the accompanying schedule of findings and responses as items 2013-001 and 2013-004 to be material weaknesses.

Jefferson Township  
Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-002 and 2013-003.

### **Township's Responses to Findings**

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

July 8, 2014

**Jefferson Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2013 and 2012*

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2013-001**

**Material Weakness – Financial Reporting**

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township's financial statements. During 2013 and 2012, the Township erroneously posted receipts, debt payments, and non-payroll disbursements to the incorrect accounts, and, in certain instances, incorrect funds. This required reclassifications and adjustments to properly present the activity of the Township for both years. The Township should implement additional monitoring procedures to ensure receipts are properly recorded.

**Township Response:**

The Township chose not to respond.

**Finding Number 2013-002**

**Noncompliance Citation – Ohio Revised Code Section 5705.41 (B)**

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had expenditures in excess of appropriations in 2013 for various funds. Failure to have appropriations in place prior to expenditure of funds subjects the Township to the risk of unauthorized or improper spending. The Township should ensure that appropriations are in place prior to expenditure of funds.

**Township Response:**

The Township chose not to respond.

**Finding Number 2013-003**

**Noncompliance Citation – Ohio Revised Code Section 5705.41(D)**

Ohio Revised Code Section 5705.41 (D) (1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The statute provides the following exception to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

**Jefferson Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2013 and 2012*

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**Finding Number 2013-003 (Continued)**

Amounts of less than \$3,000 for political subdivisions other than counties may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

During testing, we noted disbursements that were not certified at the time of commitment and there was no evidence that the Township followed the aforementioned exception. We also noted that a significant number of those disbursements tested utilized "then and now" certifications, indicating that use of such documents are regular procedure instead of exceptions. Failure to properly certify the availability of funds could result in overspending or unauthorized or improper expenditure of funds. Excessive use of "then and now" certifications results from circumventing of required budgetary processes.

We recommend the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used. However, use of such certifications should be minimized and used only for emergency situations.

**Township Response:**

The Township chose not to respond.

**Finding Number 2013-004**

**Material Weakness – Budgetary Postings within UAN**

Accurate budgetary information within the Township's accounting system is pertinent to ensure that the Township has accurate and complete information for decision-making processes. Amendments to the budget should be properly documented in the minute record to provide assurance that changes to the budget have been authorized by the governing board. Additionally, all amendments should be filed with the County Auditor's office. Failure to properly document authorized budgetary amendments within the minute record results in an incomplete record of proceedings. Further, the amendment is not considered in effect until after filed with the County. The Township should implement the appropriate procedures to ensure that all authorized budgetary amendments are properly documented within the minute record and filed with the County Auditor to ensure that budgetary information disclosed in the financial records are adequately supported and that the formal record of proceedings is maintained accurately and completely.

**Township Response:**

The Township chose not to respond.

**Jefferson Township**  
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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
Finding 2011-001	Material Weakness – Misstatements in Financial Statements	No	Reissued as Finding 2013-001
Finding 2011-002	Noncompliance Citation – Ohio Revised Code Section 5705.41 (B)	No	Reissued as Finding 2013-002
Finding 2011-003	Noncompliance Citation – Ohio Revised Code Section 5705.38 (A)	No	Reissued in management letter
Finding 2011-004	Noncompliance Citation – Ohio Revised Code Section 5705.39	No	Reissued in management letter



# Dave Yost • Auditor of State

**JEFFERSON TOWNSHIP**

**SCIOTO 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  
NOVEMBER 13, 2014**