

JEFFERSON TOWNSHIP
LOGAN COUNTY, OHIO

Audited Financial Statements

For the Years Ended December 31, 2011 and 2010



Dave Yost • Auditor of State

Board of Trustees
Jefferson Township
P. O. Box 10
Zanesfield, Ohio 43360

We have reviewed the *Independent Accountants' Report* of Jefferson Township, Logan County, prepared by Van Krevel and Company, CPA's, for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

March 28, 2013

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Jefferson Township
Logan County, Ohio

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Logan County, Ohio, (the Township), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require, Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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Jefferson Township
Logan County
Independent Accountants' Report
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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Jefferson Township, Logan County, Ohio as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011, Jefferson Township adopted Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2013 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Van Krevel + Company

Van Krevel & Company
Dublin, Ohio

January 2, 2013

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, 2011

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$ 62,152	\$ 72,960		\$ 135,112
Licenses, Permits, and Fees	5,252	7,695		12,947
Intergovernmental Receipts	47,550	124,314	20,606	192,470
Earnings on Investments	571	1,572		2,143
Miscellaneous	3,149	3,850		6,999
Total Cash Receipts	118,674	210,391	20,606	349,671
Cash Disbursements:				
Current:				
General Government	79,660			79,660
Public Safety	23,453			23,453
Public Works	17,105	156,134		173,239
Health		23,147		23,147
Conservation-Recreation		11,109		11,109
Intergovernmental		23,531		23,531
Capital Outlay		3,670	20,606	24,276
Debt Service:				
Redemption of Principal		15,859		15,859
Interest and Other Fiscal Charges		2,495		2,495
Total Cash Disbursements	120,218	235,945	20,606	376,769
Total Cash Receipts Over/(Under) Cash Disbursements	(1,544)	(25,554)	-	(27,098)
Other Financing Receipts/(Disbursements):				
Transfers In	-	2,731		2,731
Transfers Out	(2,731)			(2,731)
Total Other Financing Receipts/(Disbursements)	(2,731)	2,731		-
Net Change in Fund Cash Balances	(4,275)	(22,823)	-	(27,098)
Fund Cash Balances, January 1	50,850	257,674		308,524
Fund Cash Balances, December 31	\$ 46,575	\$ 234,851	\$ -	\$ 281,426
Restricted		234,851		234,851
Unassigned (Deficit)	46,575	-	-	46,575
Fund Cash Balances, December 31	\$ 46,575	\$ 234,851	\$ -	\$ 281,426

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, 2011

	Private	Totals
	Purpose	(Memorandum
	Trust	Only)
Cash Receipts:		
Earnings on Investments	51	51
Total Cash Receipts	51	51
Fund Cash Balances, January 1	809	809
Fund Cash Balances, December 31	\$ 860	\$ 860

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, 2010

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$ 62,058	\$ 72,395	\$ -	\$ 134,453
Licenses, Permits, and Fees	3,015	5,215		8,230
Intergovernmental Receipts	46,861	134,278	67,720	248,859
Earnings on Investments	635	1,540		2,175
Miscellaneous	1,013	700		1,713
Total Cash Receipts	113,582	214,128	67,720	395,430
Cash Disbursements:				
Current:				
General Government	81,901	143		82,044
Public Safety	22,685			22,685
Public Works	23,119	159,540		182,659
Health	1,811	19,991		21,802
Conservation/Recreation	1,235	13,809		15,044
Intergovernmental		27,201		27,201
Capital Outlay	-	18,027	67,720	85,747
Debt Service:				
Redemption of Principal		15,106		15,106
Interest and Other Fiscal Charges		3,248		3,248
Total Cash Disbursements	130,751	257,065	67,720	455,536
Total Cash Receipts Over/(Under) Cash Disbursements	(17,169)	(42,937)	-	(60,106)
Other Financing Receipts/(Disbursements):				
Transfers In		5,500		5,500
Transfers Out	(5,500)		-	(5,500)
Total Other Financing Receipts/(Disbursements)	(5,500)	5,500	-	-
Net Change in Fund Cash Balances	(22,669)	(37,437)	-	(60,106)
Fund Cash Balances, January 1	73,519	295,111		368,630
Fund Cash Balances, December 31	\$ 50,850	\$257,674	\$ -	\$ 308,524

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, 2010

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

Jefferson Township
Logan County, Ohio

Notes to the Financial Statements
December 31, 2011 and 2010

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 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 5 and 9 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 8 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 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 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, 2011 and 2010

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 reports all financial resources except those required to be accounted for in another fund.

2 Special Revenue Funds

These funds account for proceeds from specific sources (other than 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 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.

3 Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Public Works Fund – This fund accounts for the Ohio Public Works Commission Issue II monies and Logan County Sales Tax monies expended on behalf of the Township for maintaining and repairing Township roads.

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2011 and 2010

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. 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 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 2011 and 2010 budgetary activity appears in Note 4.

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2011 and 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F Fund Balance

For December 31, 2011, the 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 incorporate 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 balances, committed amounts are reduced first, followed by assigned and the 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, 2011 and 2010

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 CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No 54 had no effect on fund balances previously reported.

NOTE 3 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>2011</u>	<u>2010</u>
Demand Deposits	\$252,099	\$279,146
Federal Home Loan Mortgage Corporate Notes	<u>30,187</u>	<u>30,187</u>
Total Deposits and Investments	<u>\$282,286</u>	<u>\$309,333</u>

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

At December 31, 2011, \$ 9,007 of deposits were not insured or collateralized, contrary to Ohio law.

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, 2011 and 2010

NOTE 4 BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2011, follows:

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 119,746	\$ 118,674	\$ (1,072)
Special Revenue	211,560	213,122	1,562
Capital Projects	-	20,606	20,606
Trust	6	-	(6)
Totals	<u>\$ 331,312</u>	<u>\$ 352,402</u>	<u>\$ 21,090</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 171,084	\$ 122,949	\$ 48,135
Special Revenue	468,762	235,945	232,817
Capital Projects	-	20,606	(20,606)
Trust	815	-	815
Totals	<u>\$ 640,661</u>	<u>\$ 379,500</u>	<u>\$ 261,161</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Public Works Commission Projects Fund by \$20,606 for the year ended December 31, 2011.

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2011 and 2010

NOTE 4 BUDGETARY ACTIVITY (continued)

Budgetary activity for the year ending December 31, 2010, follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 121,423	\$ 113,582	\$ (7,841)
Special Revenue	202,555	219,628	17,073
Capital Projects	67,720	67,720	-
Trust	30		(30)
Totals	\$ 391,728	\$ 400,930	\$ 9,202

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 203,310	\$ 136,251	\$ 67,059
Special Revenue	453,062	257,065	195,997
Capital Projects	67,720	67,720	-
Trust	30	-	30
Totals	\$ 724,122	\$ 461,036	\$ 263,086

NOTE 5 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. Under certain circumstances, State statute permits later payment dates to be established.

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2011 and 2010

NOTE 5 PROPERTY TAXES (continued)

Tangible personal property tax is assessed by the property owners, who must file a list of such property with the County by each April 30.

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.

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 Intergovernmental Revenue and Intergovernmental Expenditure line items, respectively.

NOTE 6 DEBT

Debt outstanding at December 31, 2011, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Dump Truck	\$34,132	5.00

On September 9, 2009, the Township entered into a promissory note to purchase a dump truck. The Township is to make annual principal and interest payments starting in 2010 with maturity on September 9, 2013. The debt is to be paid from the Gasoline Tax Fund.

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

Year Ending December 31,	Promissory <u>Note</u>
2012	\$18,354
2013	<u>18,354</u>
	<u>\$36,708</u>

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2011 and 2010

NOTE 7 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 2011 and 2010, OPERS members contributed 10.0% of their gross salaries, and the Township contributed an amount equal to 14.0% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

NOTE 8 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc., (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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, 2011 and 2010

NOTE 8 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, 2011 and 2010 :

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 million and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 million and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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>Year</u>	<u>Contribution</u>
2011	\$3,697
2010	3,645

Jefferson Township
Logan County, Ohio

Notes to Financial Statements
December 31, 2011 and 2010

NOTE 8 RISK MANAGEMENT (continued)

After one year of membership, members 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 9 – 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 ACCOUNTANTS' 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 the financial statements of Jefferson Township, Logan County, Ohio, (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated January 2, 2013, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township implemented GASB 54 during 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. 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 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 timely corrected. We consider findings 2011-001, 2011-002, 2011-003 and 2011-004 to be material weaknesses.

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Jefferson Township
Logan County, Ohio
Independent Accountants' 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, providing an opinion 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 2011-002, 2011-003, and 2011-004.

We did note certain matters not requiring inclusion in the report that we reported to the Township's management in a separate letter dated January 2, 2013.

We intend this report solely for the information and use of the management, Board of Trustees and others within the Township. We intend it for no one other than these specified parties.



Van Krevel & Company
Dublin, Ohio

January 2, 2013

Jefferson Township
Logan County

Schedule of Findings
December 31, 2011 and 2010

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

Finding Number 2011-001

Material Weakness

Financial Reporting

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. In 2011, the Township's Special Revenue Library Fund had revenue classification errors of \$20,472 as the result of improperly classifying property tax revenue received on behalf of the Dr. Earl Sloan Public Library (the Library). In 2011 and 2010, the General Fund reported \$750 and \$746, respectively, of Earnings on Investments that should have been reported in the Special Revenue Non-Expendable Fund.

In 2011 and 2010, the Gasoline Tax Fund had principal and interest payments totaling \$18,354 and \$18,354, respectively, improperly classified as capital outlay. In 2011 and 2010, the Library Fund had \$23,016 and \$27,005 of intergovernmental expenditures improperly classified as general government expenditures. In 2010, the Fiscal Officer decreased the 2010 beginning balance in the Special Revenue Library Fund in the amount of \$639 which was not disbursed to the Library and required adjustment to the financial statements. In 2011, a deposit in the amount of \$138 and a payment in the amount of \$515 to and from the Library Fund were improperly recorded as a receipt and disbursement in the General Fund.

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, 2011 and 2010

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

Finding Number 2011-002

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 2011 and 2010, the Township failed to record earnings from investments and a miscellaneous receipt in the correct fund.

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 2010, the Township recorded auditor and treasurer fees withheld from various Special Revenue Fund tax receipts in the General Fund.

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	2011	Amount	Fund	2010	Amount
General	Increase	\$ 127	General	Decrease	\$ (488)
Gas Tax		\$ --	Gas Tax		\$ --
Road & Bridge		\$ --	Road & Bridge	Decrease	\$ (351)
Cemetery		\$ --	Cemetery	Decrease	\$ (213)
Park		\$ --	Park	Decrease	\$ (144)
Library	Decrease	\$ (877)	Library	Increase	\$ 450
Non-Expendable	Increase	\$ 750	Non-Expendable	Increase	\$ 746

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, 2011 and 2010

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

Finding Number 2011-003

Material Weakness/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.

In 2011, The Township failed to amend the certificate of estimated resources and the appropriations resolution for Logan County sales tax money, in the amount of \$20,606 spent on behalf of the Township. The Fiscal Officer posted budgetary amounts to the receipts and disbursements ledgers that did not agree with the estimated receipts as certified by the County Budget Commission.

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>
Capital Projects	\$26,606	\$ 0	\$26,606

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 4 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 Audit Findings
December 31, 2011 and 2010

Finding No. 2011-004

Material Weakness/Noncompliance Citation

Ohio Revised Code 131.18 requires the township to have a depository agreement in place to insure all townships funds in excess of \$250,000. During the period under audit, the township did not have such an agreement in place.

We recommend that township officials contact their bank and rectify this immediately.

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

Jefferson Township
Logan County

Schedule of Prior Audit Findings
December 31, 2011 and 2010

<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>
2009-001	Financial Reporting	No	Repeated as Finding 2011-001
2009-002	Ohio Rev Code Section 5705.10 (D)	No	Repeated as Finding 2011-002



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
APRIL 9, 2013**