



**Auditor of State  
Betty Montgomery**



JEFFERSON TOWNSHIP  
BROWN COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Jefferson Township  
Brown County  
7284 Clinton Avenue  
Russellville, Ohio 45168

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 14, 2003

**JEFFERSON TOWNSHIP  
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND NONEXPENDABLE TRUST FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Nonexpendable Trust</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$12,458	\$9,688	\$0	\$22,146
Intergovernmental	29,821	63,027		92,848
Interest	162	290	81	533
Other Revenue	6	200		206
	<hr/>			
Total Cash Receipts	42,447	73,205	81	115,733
<hr/>				
<b>Cash Disbursements:</b>				
Current:				
General Government	26,383		35	26,418
Public Safety	5,555			5,555
Public Works		19,539		19,539
Health	1,825	8,536		10,361
Capital Outlay		56,851		56,851
	<hr/>			
Total Cash Disbursements	33,763	84,926	35	118,724
	<hr/>			
Total Receipts Over/(Under) Disbursements	8,684	(11,721)	46	(2,991)
<hr/>				
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In		1,500		1,500
Transfers-Out	(1,500)			(1,500)
Other Sources	7	3,180		3,187
	<hr/>			
Total Other Financing Receipts/(Disbursements)	(1,493)	4,680	0	3,187
	<hr/>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	7,191	(7,041)	46	196
	<hr/>			
Fund Cash Balances, January 1	24,825	82,234	3,231	110,290
	<hr/>			
<b>Fund Cash Balances, December 31</b>	<b>\$32,016</b>	<b>\$75,193</b>	<b>\$3,277</b>	<b>\$110,486</b>
	<hr/> <hr/>			

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

**JEFFERSON TOWNSHIP  
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND NONEXPENDABLE TRUST FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Nonexpendable Trust</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$12,323	\$6,600	\$0	\$0	\$18,923
Intergovernmental	22,899	57,480			80,379
Interest	310	822		162	1,294
Other Revenue		200			200
	<u>35,532</u>	<u>65,102</u>	<u>0</u>	<u>162</u>	<u>100,796</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
General Government	33,060			30	33,090
Public Safety	5,555				5,555
Public Works		21,425			21,425
Health	2,102	9,275			11,377
Capital Outlay		31,352			31,352
	<u>40,717</u>	<u>62,052</u>	<u>0</u>	<u>30</u>	<u>102,799</u>
<b>Total Cash Disbursements</b>					
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(5,185)</u>	<u>3,050</u>	<u>0</u>	<u>132</u>	<u>(2,003)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Other Financing Sources	1,718	2,803			4,521
Other Financing Uses			(1,583)		(1,583)
	<u>1,718</u>	<u>2,803</u>	<u>(1,583)</u>	<u>0</u>	<u>2,938</u>
<b>Total Other Financing Receipts/(Disbursements)</b>					
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(3,467)</u>	<u>5,853</u>	<u>(1,583)</u>	<u>132</u>	<u>935</u>
<b>Fund Cash Balances, January 1</b>	<u>28,292</u>	<u>76,381</u>	<u>1,583</u>	<u>3,099</u>	<u>109,355</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$24,825</u></u>	<u><u>\$82,234</u></u>	<u><u>\$0</u></u>	<u><u>\$3,231</u></u>	<u><u>\$110,290</u></u>

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



**JEFFERSON TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Jefferson Township, Brown County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and maintenance, cemetery maintenance and fire protection services. The Township contracts with the Village of Russellville to provide fire services.

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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash Deposits**

Township funds are deposited in an interest bearing checking account with a local commercial bank. Two of the Township's three cemetery bequeath trust funds are invested in certificates of deposits which are valued at cost. The Township maintains an interest bearing savings account for the third cemetery bequeath trust fund.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

Motor Vehicle License Tax Fund

This fund receives motor vehicle tax money for constructing, maintaining and repairing Township roads.

**JEFFERSON TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Gasoline Tax Fund

This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Cemetery Fund

This fund receives property tax money for cemetery maintenance and repair.

**3. Nonexpendable Trust Fund**

This fund is used to account for resources restricted by legally binding trust agreements. The Township had the following trust funds:

Nonexpendable Trust Fund

This fund receives interest from three separate bequests. All were entrusted to the Township by individual bequests for care of cemetery lots.

**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. Unencumbered 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 carried over, and need not be reappropriated. There were no material outstanding encumbrances at December 31, 2002 and 2001.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**JEFFERSON TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**2. EQUITY IN POOLED CASH DEPOSITS**

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

	2002	2001
Demand deposits	\$107,953	\$107,757
Certificates of deposit	2,533	2,533
Total deposits	110,486	110,290

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

**2002 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,000	\$42,454	(\$546)
Special Revenue	67,300	77,885	10,585
Nonexpendable Trust	200	81	(119)
Total	\$110,500	\$120,420	\$9,920

**2002 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$67,780	\$35,263	\$32,517
Special Revenue	149,470	84,926	64,544
Nonexpendable Trust	731	35	696
Total	\$217,981	\$120,224	\$97,757

**2001 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,134	\$37,250	\$9,116
Special Revenue	62,400	67,905	5,505
Nonexpendable Trust	145	162	17
Total	\$90,679	\$105,317	\$14,638

**2001 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$59,744	\$40,717	\$19,027
Special Revenue	138,417	62,052	76,365
Capital Projects	1,583	1,583	0
Nonexpendable Trust	3,209	30	3,179
Total	\$202,953	\$104,382	\$98,571

**JEFFERSON TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

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

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

**5. RETIREMENT SYSTEM**

The Township's officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

**6. RISK MANAGEMENT**

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**JEFFERSON TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do 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:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	(9,197,512)	(9,379,003)
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

**7. NONCOMPLIANCE**

Ohio law requires that contracts for maintenance and repair of Township roads be let by competitive bid when the amount of the repair or maintenance exceeds \$15,000. The Township paid for maintenance and repair of Township roads in amounts which exceeded \$15,000 without competitive bidding.

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Jefferson Township  
Brown County  
7284 Clinton Ave.  
Russellville, Ohio 45168

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 14, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

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 grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in accompanying schedule of findings as item 2002-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 14, 2003.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated July 14, 2003.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 14, 2003



**JEFFERSON TOWNSHIP  
BROWN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

**Noncompliance Citation**

Ohio Rev. Code, Section 5575.01, requires that when the Board of Trustees proceeds by contract, the contract shall, if the amount involved exceeds fifteen thousand dollars, be let by the Board to the lowest responsible bidder after advertisement for bids. The Township did not properly bid road improvement and repair projects for 2001 and 2002 which were subject to competitive bidding procedures. The Township paid a vendor \$27,777 in 2001 and \$17,961 in 2002. In addition, the Township paid another vendor \$16,794 in 2002. Competitive bidding procedures should have been followed for all noted contracts.

This section also states in the maintenance and repair of road, the Board of Township Trustees may proceed either by contract or force account. Before undertaking the construction or reconstruction of a township road, the Board shall cause to be made by the county engineer an estimate of the cost of such work, which estimate shall include labor, material, freight, fuel, hauling, use of machinery and equipment, and all other items of cost. The Township Trustees did not obtain an estimate before bidding the road improvement or repair contracts. The Township Trustees should have an estimate prepared for all contracts over the bid threshold in order to adequately review bids received.

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**JEFFERSON TOWNSHIP  
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-40408-001	Revised Code 5575.01, improper bidding of contracts.	No	Not corrected. See finding #2002-001.
2000-40408-002	Revised Code 5705.131, principal of a nonexpendable trust was included as part of the unencumbered balance.	Partially	Repeated as cite #4 in Management Letter. Corrected for 2002 after receiving prior audit report.
2000-40408-003	Revised Code 5705.41 (D), failure to certify funds.	Yes	





**Auditor of State  
Betty Montgomery**

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**JEFFERSON TOWNSHIP**

**BROWN 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  
AUGUST 19, 2003**