



**Auditor of State
Betty Montgomery**

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY

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**Auditor of State
Betty Montgomery**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Montgomery County, (the Township), as of and for the years ended December 31, 2003 and 2002. 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.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 and reserves for encumbrances of the Township as of December 31, 2003 and 2002, 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 October 15, 2004 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.

The accompanying schedule of federal awards expenditures, for the year ended December 31, 2002, is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 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

October 15, 2004

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$98,486	\$894,537		\$993,023
Intergovernmental	194,687	362,109		556,796
Special Assessments		51,413		51,413
Charges for Services		101,001		101,001
Licenses, Permits, and Fees	30,860			30,860
Fines, Forfeitures, and Penalties	8,320			8,320
Earnings on Investments	1,505	111	75	1,691
Other Revenue	24,185	5,873		30,058
	<u>358,043</u>	<u>1,415,044</u>	<u>75</u>	<u>1,773,162</u>
Total Cash Receipts				
	<u>358,043</u>	<u>1,415,044</u>	<u>75</u>	<u>1,773,162</u>
Cash Disbursements:				
Current:				
General Government	383,761	55,042		438,803
Public Safety	47,986	909,898		957,884
Public Works		413,964		413,964
Debt Service:				
Redemption of Principal		46,333	6,000	52,333
Interest and Fiscal Charges		21,773	17,442	39,215
Capital Outlay		54,298	205,933	260,231
	<u>431,747</u>	<u>1,501,308</u>	<u>229,375</u>	<u>2,162,430</u>
Total Cash Disbursements				
	<u>431,747</u>	<u>1,501,308</u>	<u>229,375</u>	<u>2,162,430</u>
Total Receipts (Under) Disbursements	<u>(73,704)</u>	<u>(86,264)</u>	<u>(229,300)</u>	<u>(389,268)</u>
Other Financing Receipts and (Disbursements):				
Sale of Bonds			199,449	199,449
Sale of Fixed Assets		16,356		16,356
Transfers-In			45,158	45,158
Transfers-Out	(17,100)	(28,058)		(45,158)
Other Sources		133,014		133,014
	<u>(17,100)</u>	<u>121,312</u>	<u>244,607</u>	<u>348,819</u>
Total Other Financing Receipts/(Disbursements)				
	<u>(17,100)</u>	<u>121,312</u>	<u>244,607</u>	<u>348,819</u>
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(90,804)	35,048	15,307	(40,449)
Fund Cash Balances, January 1	145,565	418,673	6,407	570,645
Fund Cash Balances, December 31	<u>\$54,761</u>	<u>\$453,721</u>	<u>\$21,714</u>	<u>\$530,196</u>

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

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$101,200	\$738,868		\$840,068
Intergovernmental	179,365	577,771		757,136
Special Assessments		47,577		47,577
Charges for Services		97,615		97,615
Licenses, Permits, and Fees	30,576			30,576
Fines, Forfeitures, and Penalties	11,978			11,978
Earnings on Investments	3,716	258	4,618	8,592
Other Revenue	60,910	59,667	1,376	121,953
	<u>387,745</u>	<u>1,521,756</u>	<u>5,994</u>	<u>1,915,495</u>
Total Cash Receipts				
	<u>387,745</u>	<u>1,521,756</u>	<u>5,994</u>	<u>1,915,495</u>
Cash Disbursements:				
Current:				
General Government	357,774	328,247		686,021
Public Safety	42,512	611,169		653,681
Public Works		397,890		397,890
Debt Service:				
Redemption of Principal		40,333	812,000	852,333
Interest and Fiscal Charges		7,698	26,683	34,381
Capital Outlay	20,000	30,627	582,889	633,516
	<u>420,286</u>	<u>1,415,964</u>	<u>1,421,572</u>	<u>3,257,822</u>
Total Cash Disbursements				
	<u>420,286</u>	<u>1,415,964</u>	<u>1,421,572</u>	<u>3,257,822</u>
Total Receipts Over/(Under) Disbursements	<u>(32,541)</u>	<u>105,792</u>	<u>(1,415,578)</u>	<u>(1,342,327)</u>
Other Financing Receipts and (Disbursements):				
Sale of Bonds			609,391	609,391
Transfers-In		23,000		23,000
Transfers-Out	(23,000)			(23,000)
Other Sources		3,322		3,322
	<u>(23,000)</u>	<u>26,322</u>	<u>609,391</u>	<u>612,713</u>
Total Other Financing Receipts/(Disbursements)				
	<u>(23,000)</u>	<u>26,322</u>	<u>609,391</u>	<u>612,713</u>
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(55,541)	132,114	(806,187)	(729,614)
Fund Cash Balances, January 1	201,106	286,559	812,594	1,300,259
	<u>201,106</u>	<u>286,559</u>	<u>812,594</u>	<u>1,300,259</u>
Fund Cash Balances, December 31	<u>\$145,565</u>	<u>\$418,673</u>	<u>\$6,407</u>	<u>\$570,645</u>
Reserve for Encumbrances, December 31	<u>\$17,615</u>	<u>\$63,710</u>		<u>\$81,325</u>

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

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Jefferson Township, Montgomery County, (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 bridge maintenance, fire protection and emergency medical services. The Township contracts with the Montgomery County Sheriff's Office to provide security of persons and property.

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

B. Basis of Accounting

These financial statements follow the 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. 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 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:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Police Fund - This fund receives property tax money to provide police protection for township residents by contracting with the Montgomery County Sheriff's Office.

Fire Fund - This fund receives property tax money to provide fire protection services to township residents.

Miscellaneous Special Revenue Fund - This fund receives state and local grant monies for various projects.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following capital project fund:

Permanent Improvement Fund - This fund received monies for note and bond proceeds and these funds were utilized to construct a new township building and fire station.

D. 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.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

E. 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.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$530,196	\$570,645

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, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$284,053	\$358,043	\$73,990
Special Revenue	1,561,888	1,564,414	2,526
Capital Projects	244,430	244,682	252
Total	\$2,090,371	\$2,167,139	\$76,768

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$480,379	\$448,847	\$31,532
Special Revenue	1,879,699	1,529,366	350,333
Capital Projects	209,267	229,375	(20,108)
Total	\$2,569,345	\$2,207,588	\$361,757

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$261,880	\$387,745	\$125,865
Special Revenue	1,566,536	1,548,078	(18,458)
Capital Projects	5,035	615,385	610,350
Total	\$1,833,451	\$2,551,208	\$717,757

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$460,900	\$460,901	(\$1)
Special Revenue	1,601,056	1,479,674	121,382
Capital Projects	1,022,254	1,421,572	(399,318)
Total	\$3,084,210	\$3,362,147	(\$277,937)

Contrary to Ohio law, appropriations exceeded estimated resources in the Gasoline Tax Fund by \$27,279 and the Road and Bridge Fund by \$10,443 for the year ended December 31, 2003. Additionally, appropriations exceeded estimated resources in the Miscellaneous Special Revenue Fund by \$30,709 and the Permanent Improvement Fund by \$204,625 for the year ended December 31, 2002.

Also, contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire Fund, Repair & Maintenance by \$32,785 and the Permanent Improvement Fund, Building by \$23,440 for the year ended December 31, 2003. Additionally, budgetary expenditures exceeded appropriation authority in the Permanent Improvement Fund by \$399,318 for the year ended December 31, 2002.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Township Building Bonds	\$479,000	4.625%
Fire Station Bonds	317,840	4.625%
Highway Equipment Acquisition Notes	24,000	5.880%
Fire Equipment Acquisition Notes	28,334	5.750%
Total	<u>\$849,174</u>	

The two acquisition notes were issued to finance the purchase of a new truck and ambulance to be used by the Township Road Department and the Fire/EMS Department. The two bonds were issued to finance the construction of the township building and fire station.

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

	<u>General Obligation Bonds</u>	<u>General Obligation Notes</u>
Year ending December 31:		
2004	\$50,854	\$43,374
2005	50,206	12,706
2006	50,559	0
2007	50,865	0
2008	49,125	0
2009 - 2013	252,878	0
2014 - 2018	253,106	0
2019 - 2023	252,228	0
2024 - 2028	252,812	0
2029 - 2032	199,808	0
Total	<u>\$1,462,441</u>	<u>\$56,080</u>

6. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plan. This 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. OPERS's members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. 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. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, 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.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding 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 township.

Financial Position

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

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	<u>(11,791,300)</u>	<u>(9,197,512)</u>
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	<u>(750,956)</u>	<u>(1,204,326)</u>
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity Number	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Direct:</i>			
Community Facilities Loans and Grants	N/A	10.766	\$604,028
FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Direct:</i>			
Assistance to Firefighters Grant	N/A	83.554	<u>12,140</u>
Total Federal Assistance			<u><u>\$616,168</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Township's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B -- MATCHING REQUIREMENTS

Certain Federal programs require that the Township contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Township has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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Betty Montgomery**

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

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

To the Board of Trustees:

We have audited the financial statements of Jefferson Township, Montgomery County, (the Township), as of and for the years ended December 31, 2003 and 2002 and have issued our report thereon dated October 15, 2004 wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. Additionally, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated October 15, 2004.

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 October 15, 2004.

Jefferson Township
Montgomery County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the 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

October 15, 2004



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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Trustees:

Compliance

We have audited the compliance of Jefferson Township, Montgomery County, (the Township), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2002. The Township's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Township's management. Our responsibility is to express an opinion on the Township's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program. An audit includes examining, on a test basis, evidence about the Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Township's compliance with those requirements.

In our opinion, the Township complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 2003-003.

Internal Control Over Compliance

The management of the Township is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Township's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management, Board of Trustees, and federal awarding agencies, 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

October 15, 2004

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
OMB CIRCULAR A -133 §.505**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA # 10.766: Community Facilities Loans and Grants
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: None
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The following funds were determined to have appropriations in excess of the available resources, as certified by the County budget commission:

	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Variance</u>
<u>As of December 31, 2003:</u>			
Special Revenue Funds –			
Gasoline Tax Fund	\$123,897	\$96,618	(\$27,279)
Road and Bridge Fund	310,720	300,277	(10,443)
<u>As of December 31, 2002:</u>			
Special Revenue Funds –			
Miscellaneous Special Revenue Fund	377,000	346,291	(30,709)
Capital Project Fund -			
Permanent Improvement Fund	1,022,254	817,629	(204,625)

The Township should develop and implement procedures to provide for appropriations to be limited by total estimated resources for each fund.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Budgetary expenditures exceeded total appropriations at the fund level or at the legal level of control, as noted below:

	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<u>As of December 31, 2003:</u>			
Special Revenue Funds –			
Fire Fund, Repair & Maintenance (2111-220-323)	\$43,948	\$76,733	(\$32,785)
Capital Project Fund -			
Permanent Improvement Fund, Building (4301-760-720)	202,609	226,049	(23,440)
<u>As of December 31, 2002:</u>			
Capital Project Fund -			
Permanent Improvement Fund	1,022,254	1,421,572	(399,318)

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

**FINDING NUMBER 2003-002
 (Continued)**

The Township should develop and implement procedures to monitor appropriations and expenditures throughout the fiscal year, making amendments to its appropriations as needed to be in compliance with this section of Ohio Rev. Code. This would enable the District to comply with budgetary requirements while limiting the risk of spending more than is appropriated.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2003-003
CFDA Title and Number	Community Facilities Loans and Grants – CFDA # 10.766 Assistance to Firefighters Grants – CFDA # 83.554
Federal Award Number / Year	Borrower ID 31-6000581/ 2002– CFDA # 10.766 EMW-2002-FG-14101 / 2002– CFDA # 83.554
Federal Agency	United States Department of Agriculture Federal Emergency Management Agency
Pass-Through Agency	None

Noncompliance Citation

OMB Circular A-133, Subpart B, Section 200, requires that all non-federal entities that expend \$300,000 or more in a year in federal awards shall have a single or program-specific audit conducted for that year. Additionally, per Section .320, for fiscal periods beginning after June 30, 1998, the audit should be completed within nine months.

The Township did not request a single audit be performed, for the year ended December 31, 2002, within the prescribed time period. The lack of securing audit services in a timely manner could subject the Township to exclusion from future federal funding or withholding of funding. The Township should develop and implement procedures to provide for review of federal grant activity and should secure the necessary audit services within the prescribed time period.



**Auditor of State
Betty Montgomery**

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JEFFERSON TOWNSHIP

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 4, 2004**