

***JEFFERSON TOWNSHIP
RICHLAND COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2002 & 2003

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



**Auditor of State
Betty Montgomery**

Board of Trustees
Jefferson Township, Richland County

We have reviewed the Independent Auditor's Report of Jefferson Township, Richland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Jefferson Township, Richland County is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 13, 2004

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**JEFFERSON TOWNSHIP
RICHLAND COUNTY
AUDIT FOR YEARS ENDING 2002 and 2003**

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**JEFFERSON TOWNSHIP
RICHLAND COUNTY
AUDIT FOR YEARS ENDING 2002 and 2003**

ELECTED OFFICIALS

<u>ELECTED OFFICIALS</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>	<u>SURETY</u>	<u>SURETY PERIOD</u>
Mark Gatton	Trustee	5/28/02 to 01/01/04	A	5/28/02 – 1/1/04
Bob McConkie	Trustee	1/1/02 to 1/1/06	A	1/1/02 – 1/1/06
Fritz Ackerman	Trustee	1/1/00 to 1/1/04	A	1/1/00 – 1/1/04

APPOINTED OFFICIALS

Marjean Hickerson	Clerk	4/1/00 to 4/1/04	B	4/1/04 – 3/31/08
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Statutory Legal Counsel

Nancy Massey
Assistant Prosecuting Attorney
Richland County
38 S. Park Street
Mansfield, Ohio 44902

Township Address

P.O. Box 557
Bellville, Ohio 44813

A Ohio Township Association Risk
Management Authority \$20,000

B Ohio Township Association Risk
Management Authority \$25,000

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland, OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

REPORT OF INDEPENDENT ACCOUNTANTS

**Board of Trustees
Jefferson Township
Bellville, Ohio**

We have audited the accompanying financial statements of Jefferson Township (the Township), as of and for the years ended December 31, 2002 and 2003, as listed in the table of contents. 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 cash, investments and fund cash balances of the Township, as of December 31, 2002 and 2003, and the receipts, expenditures, and changes in fund cash balances, its statements of receipts – budget and actual and statements of expenditures and encumbrances compared with expenditure authority for the years then ended in conformity with the basis of accounting referred to above.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 24, 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.

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

Charles E. Harris and Associates, Inc.
June 24, 2004

JEFFERSON TOWNSHIP
 RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF CASH, INVESTMENTS AND
 FUND CASH BALANCES - ALL FUND TYPES
 For the Year Ended December 31, 2002 and 2003

	<u>2002</u> <u>Balances</u>	<u>2003</u> <u>Balances</u>
Cash and Cash Equivalents	\$ 709,219	\$ 721,580
	\$ 709,219	\$ 721,580

Cash Balances by Fund Class

Governmental Fund Types:

General Fund	\$ 125,275	\$ 118,346
Special Revenue Funds	581,356	600,646
Debt Service Funds	2,588	2,588
Totals	\$ 709,219	\$ 721,580

See accompanying Notes to the Financial Statements.

JEFFERSON TOWNSHIP
 RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, EXPENDITURES, AND CHANGES IN FUND CASH BALANCES -
 ALL GOVERNMENTAL FUND TYPES
 For the Year Ended December 31, 2002

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>(Memorandum Only) Total</u>
Receipts:				
Taxes	\$ 35,445	\$ 517,100	-	\$ 552,545
Intergovernmental	51,072	108,311	-	159,383
Interest	9,975	793	-	10,768
Other	1,583	24,731	-	26,314
Total Receipts	<u>98,075</u>	<u>650,935</u>	<u>-</u>	<u>749,010</u>
Expenditures:				
General Government	83,647	-	-	83,647
Public Safety	-	113,298	-	113,298
Public Works	-	357,538	-	357,538
Health	1,000	-	-	1,000
Conservation	800	-	-	800
Capital Outlay	-	129,325	-	129,325
Total Expenditures	<u>85,447</u>	<u>600,161</u>	<u>-</u>	<u>685,608</u>
Receipts over(under) expenditures	12,628	50,774	-	63,402
Fund Balance 1/1/2002	112,647	530,582	\$ 2,588	645,817
Fund Balance 12/31/2002	<u>\$ 125,275</u>	<u>\$ 581,356</u>	<u>\$ 2,588</u>	<u>\$ 709,219</u>

See accompanying Notes to the Financial Statements.

JEFFERSON TOWNSHIP
 RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, EXPENDITURES, AND CHANGES IN FUND CASH BALANCES -
 ALL GOVERNMENTAL FUND TYPES
 For the Year Ended December 31, 2003

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>(Memorandum Only) Total</u>
Receipts:				
Taxes	\$ 40,978	\$ 550,100	-	\$ 591,078
Intergovernmental	44,491	120,226	-	164,717
Interest	489	978	-	1,467
Other	2,084	26,284	-	28,368
Total Receipts	<u>88,042</u>	<u>697,588</u>	<u>-</u>	<u>785,630</u>
Expenditures:				
General Government	91,143	-	-	91,143
Public Safety	-	232,732	-	232,732
Public Works	1,828	265,851	-	267,679
Health	1,200	-	-	1,200
Conservation	800	-	-	800
Capital Outlay	-	179,715	-	179,715
Total Expenditures	<u>94,971</u>	<u>678,298</u>	<u>-</u>	<u>773,269</u>
Receipts over(under) expenditures	(6,929)	19,290	-	12,361
Fund Balance 1/1/2003	125,275	581,356	\$ 2,588	709,219
Fund Balance 12/31/2003	<u>\$ 118,346</u>	<u>\$ 600,646</u>	<u>\$ 2,588</u>	<u>\$ 721,580</u>

See accompanying Notes to the Financial Statements.

JEFFERSON TOWNSHIP
 RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
 For the Year Ended December 31, 2002

Fund Types/Funds:	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental:			
General Fund	\$ 186,360	\$ 98,075	\$ (88,285)
Special Revenue Funds	1,138,771	650,935	(487,836)
Debt Service Funds	2,588	-	(2,588)
 Total (Memorandum Only)	 <u>\$ 1,327,719</u>	 <u>\$ 749,010</u>	 <u>\$ (578,709.0)</u>

See accompanying Notes to the Financial Statements.

JEFFERSON TOWNSHIP
 RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF EXPENDITURES AND
 ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
 For the Year Ended December 31, 2002

<u>Fund Types/Fund</u>	<u>Carryover Appropriation</u>	<u>Year Ending 2002 Appropriation</u>	<u>Total</u>	<u>Actual 2002 Expenditures</u>	<u>Encumbrances as of 12/31/2002</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental Funds:							
General Fund	\$ -	\$ 186,360	\$ 186,360	\$ 85,447	\$ -	\$ 85,447	\$ 100,913
Special Revenue Funds	-	1,138,771	1,138,771	600,161	-	600,161	538,610
Debt Service	-	2,588	2,588	-	-	-	2,588
Total (Memorandum Only)	<u>\$ -</u>	<u>\$ 1,327,719</u>	<u>\$ 1,327,719</u>	<u>\$ 685,608</u>	<u>\$ -</u>	<u>\$ 685,608</u>	<u>\$ 642,111</u>

See accompanying Notes to the Financial Statements.

JEFFERSON TOWNSHIP
 RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
 For the Year Ended December 31, 2003

Fund Types/Funds:	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental:			
General Fund	\$ 200,815	\$ 88,042	\$ (112,773)
Special Revenue Funds	1,176,546	697,588	(478,958)
Debt Service Funds	2,588	-	(2,588)
Total (Memorandum Only)	<u>\$ 1,379,949</u>	<u>\$ 785,630</u>	<u>\$ (594,319)</u>

See accompanying Notes to the Financial Statements.

JEFFERSON TOWNSHIP
 RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF EXPENDITURES AND
 ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
 For the Year Ended December 31, 2003

<u>Fund Types/Fund</u>	<u>Carryover Appropriation</u>	<u>Year Ending 2003 Appropriation</u>	<u>Total</u>	<u>Actual 2003 Expenditures</u>	<u>Encumbrances as of 12/31/2003</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental Funds:							
General Fund	\$ -	\$ 200,875	\$ 200,875	\$ 94,971	\$ -	\$ 94,971	\$ 105,904
Special Revenue Funds	-	1,176,545	1,176,545	678,298	-	678,298	498,247
Debt Service Fund	-	2,588	2,588	-	-	-	2,588
Total (Memorandum Only)	<u>\$ -</u>	<u>\$ 1,380,008</u>	<u>\$ 1,380,008</u>	<u>\$ 773,269</u>	<u>\$ -</u>	<u>\$ 773,269</u>	<u>\$ 604,151</u>

See accompanying Notes to the Financial Statements.

JEFFERSON TOWNSHIP
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Jefferson Township, Richland County, (the Township) is a body corporate and politic established for the purpose of exercising 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. The Township provides general governmental services, including road and bridge maintenance, fire protection and emergency medical services.

Management believes the financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. REPORTING ENTITY

In evaluating how to define the Township for financial reporting purpose, management has considered all agencies, departments and organizations making up the Jefferson Township (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." There were no significant changes in the reporting entity related to the implementation of this statement for the current audit period.

Component units are legally separate organizations for which the Township, as the primary government, is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and 1) the Township is able to significantly influence the programs or services performed or provided by the organization; or 2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or 3) the Township is obligated for the debt of the organization. Component units may also include organizations for which the Township approves the budget, the issuance of debt, or the levying of taxes.

Based on the above definitions, the Township has determined that there were no component units required to be included the financial statements.

JEFFERSON TOWNSHIP
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

C. BASIS OF ACCOUNTING

The Township prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

D. INVESTMENTS AND INACTIVE FUNDS

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

E. FUND ACCOUNTING

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

Motor Vehicle License Tax Fund
Gasoline Tax Fund
Road and Bridge Fund

JEFFERSON TOWNSHIP
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Fire District Fund
Road District Fund
Senior Citizens Levy
Permissive Sales Tax

F. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The certificate is approved by the county budget commission and sent to the Township Clerk by September 1.

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Clerk. The amounts reported in the budgetary statements reflect the amounts in the final amended certificates issued during 2002 and 2003.

Budget receipts, as shown in the accompanying financial statements, do not include the unencumbered fund balances as of January 1, 2002 and 2003. However, those fund balances are available for appropriation.

JEFFERSON TOWNSHIP
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

F. BUDGETARY PROCESS – (continued)

3. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The legal level of control is the object level.

4. Encumbrances

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The Township did not use the encumbrance method of accounting.

5. Total Columns on Financial Statements

Total columns on the financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Township maintains a cash and investment pool. The balance of this pool is displayed on the "Combined Statement of Cash, Investments, and Fund Cash Balances - All Fund Types, As of December 31, 2002 and 2003."

JEFFERSON TOWNSHIP
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (continued)

Legal Requirements

State statutes classify monies held by the Township into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Township Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Interim monies may be invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

JEFFERSON TOWNSHIP
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

The Township may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;

2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and

3. Obligations of the Township.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Township, and be purchased within the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Clerk by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No.3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

JEFFERSON TOWNSHIP
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (continued)

Deposits: At year-end, the carrying amount of the Township's deposits were \$709,219 in 2002 and \$721,580 in 2003. The bank balances were \$733,713 for 2002 and \$744,321 for 2003. Of the bank balance,

1. \$100,000 in 2002 and 2003 was covered by the FDIC.
2. \$633,713 in 2002 and \$644,321 was uninsured, but collateralized by US Government Securities pooled by the depository not in the Township's name. As with all deposits, there is risk of loss or resources, but management believes this collateral gives the Township its safest deposit of money.

Investments: GASB Statement No.3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments classified by risk. Category 1 included investments that are insured or registered for which the securities are held in the counter party's trust department or agent in the Township's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party or by its trust department but not in the Township's name. At December 31, 2002 and 2003, the Township held no investments that would be classified as investments under GASB Statement No.3.

3. PROPERTY TAX

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as Intergovernmental Receipts.

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.

JEFFERSON TOWNSHIP
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

3. PROPERTY TAX – (continued)

The Richland County Treasurer collects property tax on behalf of all taxing Townships within the county. The Richland County Auditor periodically remits to the taxing Township their portions of the taxes collected.

4. DEFINED BENEFIT PENSION PLAN

The employees of the Township are covered by the Ohio Public Employees Retirement System. The State of Ohio accounts for the activities of the retirement system and the amounts of these funds are not reflected in the accompanying financial statements.

The Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, postretirement healthcare, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement. For local government employer units the rate was 13.55% of covered payroll. The full amount has been contributed for 2002 and 2003.

5. DEBT

There is no debt outstanding at December 31, 2003.

6. RISK MANAGEMENT

The Township has obtained insurance for the following risks through from the Scottsdale Indemnity Company:

- Comprehensive property and general liability
- Wrongful acts
- Employee benefit liability
- Professional liability and
- Vehicles

**JEFFERSON TOWNSHIP
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003**

6. RISK MANAGEMENT – (continued)

The Township Trustees and Clerk are covered by separate bonds.

The Township pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries.

Settled claims have not exceeded commercial coverage in the past three years. Also, there have been no material reductions of coverage during the past three years.

7. SUBSEQUENT EVENTS/PENDING LITIGATION

Management believes there are no pending claims or lawsuits.

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

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland, OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board of Trustees
Jefferson Township
Bellville, Ohio**

We have audited the financial statements of Jefferson Township (Township) as of and for the years ended December 31, 2002 and 2003, and have issued our report thereon dated June 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 on 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 the accompanying Schedule of Findings as item 2003-JTRC-001.

Internal Controls 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 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.

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

This report is intended 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.

***Charles E. Harris and Associates, Inc.*
June 24, 2004**

**JEFFERSON TOWNSHIP
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2003**

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

Finding Number	2003-JTRC-001
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Ohio Rev. Code Section 5705.41 (D), provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount thereon.

This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates-If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from receipt of such certificate.

2. If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

During the audit period, 100% of the expenditures tested were not certified by the Clerk prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance.

**JEFFERSON TOWNSHIP
RICHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2001-40570-001	100% of expenditures tested were not certified prior to the obligation date.	No	Not Corrected. See finding number 2003-JTRC-001



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

JEFFERSON TOWNSHIP

RICHLAND 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
JULY 27, 2004**