

***JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

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



Mary Taylor, CPA

Auditor of State

Board of Trustees
Jefferson Township
One Business Park Drive
Dayton, Ohio 45427

We have reviewed the *Report of Independent Accountants* of Jefferson Township, Montgomery County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 18, 2008

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**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY
For the Years Ending December 31, 2007 and 2006**

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

REPORT OF INDEPENDENT ACCOUNTANTS

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, Ohio as and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Jefferson Township, Montgomery County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

August 15, 2008

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types			Fiduciary Fund Types	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency Fund	
Receipts:					
Property and Other Local Taxes	\$ 117,755	\$ 990,948	-	-	\$ 1,108,703
Intergovernmental	147,352	171,451	-	-	318,803
Charges for Services	-	140,526	-	-	140,526
Fines, Licenses, Permits and Fees	31,393	6,828	-	-	38,221
Special Assessments	-	52,711	-	-	52,711
Interest	1,628	-	-	-	1,628
Miscellaneous	4,434	13,635	-	\$ 28,327	46,396
Total Receipts	<u>302,562</u>	<u>1,376,099</u>	<u>-</u>	<u>28,327</u>	<u>1,706,988</u>
Disbursements:					
Current:					
General Government	230,922	1,898	-	-	232,820
Public Safety	-	871,965	-	-	871,965
Public Health Services	800	725	-	-	1,525
Public Works	-	365,444	-	-	365,444
Conservation/Recreation	800	-	-	-	800
Capital Outlay	-	3,559	-	-	3,559
Debt Service:					
Redemption of Principal	10,000	55,708	-	-	65,708
Interest and Fiscal Charges	20,882	35,063	-	-	55,945
Total Disbursements	<u>263,404</u>	<u>1,334,362</u>	<u>-</u>	<u>-</u>	<u>1,597,766</u>
Total Receipts Over(Under) Disbursements	39,158	41,737	-	28,327	109,222
Other Financing Sources (Uses)					
Other Financing Sources	6,376	4,005	-	-	10,381
Other Financing Uses	(10,000)	-	-	(30,454)	(40,454)
Total Other Financing Sources (Uses)	<u>(3,624)</u>	<u>4,005</u>	<u>-</u>	<u>(30,454)</u>	<u>(30,073)</u>
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	35,534	45,742	-	(2,127)	79,149
Fund Balance 1/1/2007	<u>(70,696)</u>	<u>829,766</u>	<u>\$ 24,998</u>	<u>10,800</u>	<u>794,868</u>
Fund Balance 12/31/2007	<u>\$ (35,162)</u>	<u>\$ 875,508</u>	<u>\$ 24,998</u>	<u>\$ 8,673</u>	<u>\$ 874,017</u>

See accompanying Notes to the Financial Statements.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Fund Types			Fiduciary Fund Types	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency Fund	
Receipts:					
Property and Other Local Taxes	\$ 129,167	\$ 1,072,930	-	-	\$ 1,202,097
Intergovernmental	147,273	295,739	-	-	443,012
Charges for Services	-	152,113	-	-	152,113
Fines, Licenses, Permits and Fees	29,921	5,935	-	-	35,856
Special Assessments	-	57,453	-	-	57,453
Interest	1,472	120	-	-	1,592
Miscellaneous	397	10,436	-	\$ 10,800	21,633
Total Receipts	<u>308,230</u>	<u>1,594,726</u>	<u>-</u>	<u>10,800</u>	<u>1,913,756</u>
Disbursements:					
Current:					
General Government	264,112	6,249	-	-	270,361
Public Safety	8,917	834,166	-	-	843,083
Public Health Services	692	-	-	-	692
Public Works	-	303,991	-	-	303,991
Conservation/Recreation	770	-	-	-	770
Capital Outlay	-	84,342	-	-	84,342
Debt Service:					
Redemption of Principal	9,000	55,211	-	-	64,211
Interest and Fiscal Charges	21,298	35,837	-	-	57,135
Total Disbursements	<u>304,789</u>	<u>1,319,796</u>	<u>-</u>	<u>-</u>	<u>1,624,585</u>
Total Receipts Over(Under) Disbursements	3,441	274,930	-	10,800	289,171
Other Financing Sources (Uses)					
Transfers In	-	2,000	-	-	2,000
Transfers Out	(2,000)	-	-	-	(2,000)
Other Financing Uses	(4,755)	-	-	-	(4,755)
Total Other Financing Sources (Uses)	<u>(6,755)</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>(4,755)</u>
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(3,314)	276,930	-	10,800	284,416
Fund Balance 1/1/2006	(79,832)	523,792	\$ 24,998	-	468,958
Prior Period Adjustment, Note 11	12,450	29,044	-	-	41,494
Fund Balance 12/31/2006	<u>\$ (70,696)</u>	<u>\$ 829,766</u>	<u>\$ 24,998</u>	<u>\$ 10,800</u>	<u>\$ 794,868</u>

See accompanying Notes to the Financial Statements.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Jefferson Township, Montgomery 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 publicly-elected three-member Board of Trustees. The Township provides general governmental services, 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 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. 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.

C. CASH

The Township maintains an interest bearing checking account.

D. 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, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Township had the following significant Special Revenue Funds:

- 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.
- Road And Bridge Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.
- Miscellaneous Special Revenue Fund – This fund receives state and local grant monies for various projects.

Capital Projects Fund: 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 significant Capital Projects Fund:

- Permanent Improvement Fund – This fund received monies from note and bond proceeds and these funds were utilized for the construction of a new Township building and fire station.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS

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.

1. 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 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 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 the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2007 and 2006. However, those fund balances are available for appropriation.

2. 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.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

1. 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 legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. 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.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$ 874,017	\$ 794,868

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

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

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. The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

<u>2007 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted</u>	<u>Actual</u>	
	<u>Receipts</u>	<u>Receipts</u>	<u>Variance</u>
General Fund	\$ -0-	\$ 308,938	\$ 308,938
Special Revenue Funds	-0-	1,380,104	1,380,104
Capital Projects Fund	-0-	-0-	-0-

<u>2007 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund</u>	<u>Appropriation</u>	<u>Budgetary</u>	
	<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund	\$ 334,883	\$ 273,404	\$ 61,479
Special Revenue Funds	1,751,867	1,334,362	417,505
Capital Project Fund	34,996	-0-	34,966

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

4. BUDGETARY ACTIVITY – (Continued)

Fund	<u>2006 Budgeted vs Actual Receipts</u>		
	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 327,486	\$ 308,230	\$ (19,256)
Special Revenue Funds	1,409,654	1,596,726	187,072
Capital Projects Fund	4,458	-0-	(4,458)

Fund	<u>2006 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ -0-	\$ 311,544	\$ (311,544)
Special Revenue Funds	-0-	1,319,796	(1,319,796)
Capital Projects Fund	-0-	-0-	-0-

5. RETIREMENT SYSTEM

The Township's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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. For 2007 and 2006, OPERS members contributed 9.5 percent and 9.0 percent, respectively, of their wages. During 2007 and 2006 the Village contributed an amount equal to 13.85 percent and 13.70 percent, respectively, of participants' gross wages. The Village has paid all contributions required through December 31, 2007.

6. SOCIAL SECURITY

Some of the Village's elected officials belong to the Social Security Administration and pay FICA taxes.

FICA contribution rates are approved by the United States Congress. Members of FICA contributed 6.2% of their wages to FICA. The Village also contributed an amount equal to 6.2% of their wages.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

7. RISK MANAGEMENT

RISK POOL MEMBERSHIP

The Township is exposed to various risks of property and casualty losses, and injuries employees. The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

7. RISK MANAGEMENT – (Continued)

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

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

Casualty Coverage	2006	2005
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained earnings	<u>\$20,587,360</u>	<u>\$ 7,771,765</u>

Property Coverage	2006	2005
Assets	\$10,010,963	\$9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained Earnings	<u>\$ 9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$56,144. This payable includes the subsequent year's contribution due if the Township terminates participation as described in the last paragraph below.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

7. RISK MANAGEMENT – (Continued)

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA	
2005	\$ 35,804
2006	\$ 35,703
2007	\$ 28,072

8. DEBT

Debt outstanding at December 31, 2007 was as follow:

	<u>2007</u>	<u>Interest Rate</u>
Township Building Bonds	\$ 444,400	4.625%
Fire Station Bonds	296,600	4.625%
Fire Truck Lease	<u>431,058</u>	4.205%
Total	<u>\$ 1,172,058</u>	

The Township issued the two bonds to finance the construction of the Township Building and fire station. The Township entered into a capitalized lease for three (3) fire trucks during 2005. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

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

Year ending December 31:	General Obligation Bonds	Capitalized Lease
2008	\$ 49,125	\$ 71,313
2009	50,451	71,313
2010	50,451	71,313
2011	50,451	71,313
2012	50,451	71,313
2013 – 2017	252,255	142,626
2018 – 2022	252,255	-0-
2023 – 2027	252,255	-0-
2028 – 2032	<u>252,255</u>	<u>-0-</u>
Total	<u>\$1,259,949</u>	<u>\$ 499,191</u>

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

9. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

10. BUDGETARY NONCOMPLIANCE

The Township had the following material citations for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41(B)**, the Township had expenditures that exceeded appropriations.
- Contrary to **Ohio Rev. Code Section 5705.39**, the Township had appropriations in excess of estimated resources.
- Contrary to **Ohio Rev. Code Section 5705.41(D)(1)**, the Township failed to certify expenditures.
- Contrary to **Ohio Rev. Code Section 5705.10**, the Township had a negative fund balance in the General Fund.

11. PRIOR PERIOD ADJUSTMENT

The Township had \$41,494 of outstanding checks at December 31, 2005, subsequently voided and restored to cash. The following funds had its beginning balances adjusted accordingly:

• General Fund	<u>\$ 12,450</u>
• Special Revenue Funds	
○ Motor Vehicle License Tax Fund	\$ 12
○ Gasoline Tax Fund	3,333
○ Road & Bridge Fund	10,904
○ Fire District Fund	10,356
○ Ambulance & EMS Fund	<u>4,439</u>
Total Special Revenue Funds	<u>\$ 29,044</u>

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
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, 2007 and 2006, and have issued our report thereon dated August 15, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We 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.

Internal Controls Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiencies described in the accompanying Schedule of Findings, items 2007-JTMC-001 through 008 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe items 2007-JTMC-001 through 008 described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters, 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 several instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2007-JTMC-001 and 2007-JTMC-003 through 007.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We noted certain matters that we have reported to management of the Township in a separate letter dated August 15, 2008.

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

Charles E. Harris & Associates, Inc.

August 15, 2008

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 & 2006**

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

FINDING NUMBER 2007-JTMC-001

Material Weakness - Noncompliance Citation

Ohio Revised Code Section 5705.41 (D)(1), requires, in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

"Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the Township.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2007 & 2006**

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

**FINDING NUMBER 2007-VUFC-001
(Continued)**

Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Thirty-seven percent of transactions we tested for 2007 and 2006 did not include prior certification of the availability of funds by the Fiscal Officer nor was there any evidence of a “Then and Now” certificate being used. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

We recommend the Township’s management implement procedures to gain fiscal control over expenditures. Purchase orders containing the required certification should be utilized to certify the availability of funds prior to commitments being incurred. Appropriations should then be encumbered and balances maintained of unencumbered appropriations. Additional purchase orders should be issued only after the fiscal officer determines that sufficient unencumbered appropriations exist in the amount of the requested purchase.

The new Fiscal Officer will review budgetary requirements, including purchasing.

FINDING NUMBER 2007-VUFC-002

Material Weakness - Bank Reconciliations

As an established control procedure, the former Fiscal Officer performed bank to book reconciliations on a monthly basis. Numerous errors were found in these reconciliation reports during the audit; the errors have caused variances between the cashbook fund balance and bank balance. The Township had a large amount of outstanding checks on its monthly bank reconciliations. The amount of checks listed as outstanding at December 31, 2006 were \$242,449 and at December 31, 2007 were \$222,584. The Township checks were void if not cashed within 60 days. We found the actual outstanding checks, at December 31, 2006 were \$181,197 and at December 31, 2007 were \$32,848. The old stale checks had to be restored to cash thus causing the financial statements and the beginning fund balances to be adjusted accordingly. The Township agreed and has adjusted its records accordingly.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2007 & 2006**

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

**FINDING NUMBER 2007-JTMC-002
(Continued)**

Many of the checks were written in the system but never sent to the various vendors. This has caused the Township to carry lower cash balances and to fall behind in payments to many vendors and taxing authorities. The Township is currently contacting vendors and taxing authorities and paying the resulting delinquent amounts.

These differences were evaluated and found to be the result of improper and unrecorded accounting entries and did not appear to be the result of improprieties. The financial statements have been adjusted to reflect the above amounts and the Township has agreed and has adjusted its records accordingly.

The monthly bank reconciliations should be presented and reviewed by someone other than the person performing the reconciliation, such as a member of the Township Trustees. The individual(s) should review the monthly reconciliations to provide assurance that the amounts reported are accurate. The individual(s) also should sign and date the reconciliations as evidence the review has been performed. Management should also determine that written checks are properly mailed.

The Township Trustees have indicated they will closely review the monthly bank reconciliations.

FINDING NUMBER 2007-JTMC-003

Material Weakness –Noncompliance Citation –Timely Deposit of Receipts

Ohio Rev. Code Section 9.38 requires that “A person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited.”

During the audit period the Township received several checks that were not deposited in a timely fashion. The Township had to request that several checks from the County Auditor’s office and a check from Time Warner be reissued because the original checks were never deposited by the former Fiscal Officer.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2007 & 2006**

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

**FINDING NUMBER 2007-JTMC-003
(Continued)**

The Fiscal Officer must deposit all checks in a timely fashion. We also recommend that the Administrative Assistant maintain a listing of all checks received and that the Township Administrator periodically compare the Administrative Assistant’s listing of checks received to bank statement noting the date of deposit.

The Township now requires that the Administrative Assistant open all mail.

FINDING NUMBER 2007-JTMC-004

Noncompliance Citation – Material Weakness

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

We noted the following funds had expenditures that exceeded appropriations at December 31, 2006:

Fund	Approved Appropriations	Budgetary Expenditures	Variance
General Fund	\$ -0-	\$ 311,544	\$(311,544)
Special Revenue Funds	-0-		
Motor Vehicle License	-0-	16,739	(16,739)
Gasoline	-0-	41,794	(41,794)
Road and Bridge Fund	-0-	248,251	(248,251)
Fire District Fund	-0-	390,834	(390,834)
Police	-0-	404,213	(404,213)
Ambulance & EMS	-0-	170,749	(170,749)
Lighting Assessment	-0-	44,483	(44,483)
Zoning	-0-	2,733	(2,733)

The former Fiscal Officer failed to submit an appropriation resolution for the Board of Trustees to approve. The Board of Trustees should anticipate the appropriation resolution and investigate when an appropriation measure isn’t presented for discussion and approval.

The new Fiscal Officer and Board of Trustees are reviewing all budgetary requirements and will implement procedures to ensure future compliance.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2007 & 2006**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</p>

FINDING NUMBER 2007-JTMC-005

Noncompliance Citation – Material Weakness

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund shall not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Township obtains the County Auditor’s certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During the year-end December 31, 2007, total appropriations exceeded total estimated resources at year-end as follows:

Fund	Estimated Available Resources	Appropriations	Variance
General Fund	\$ -0-	\$ 334,883	\$ (334,883)
Special Revenue Funds:			
Motor Vehicle License Tax Fund	5,278	23,498	(18,220)
Road & Bridge	244,097	392,883	(148,786)
Fire District Fund	58,224	409,496	(351,272)
Gasoline Tax Fund	93,021	101,398	(8,377)
Miscellaneous Fund	660	44,996	(44,336)
Police District	347,879	524,797	(176,918)
Zoning	2,900	28,296	(25,396)
Ambulance & EMS	26,462	173,195	(146,733)
Lighting Assessment	48,825	51,599	(2,774)
Capital Projects Fund:			
Permanent Improvement	34,996	24,998	(9,998)

The Fiscal Officer did not certify estimated receipts for 2007. The Fiscal Officer must request Certificate of Estimated Resources from the County Auditor. The failure to do so limits the Total Estimated Available Resources for appropriations to opening unencumbered fund balances.

Fiscal Officer will review all budgetary requirements and implement as necessary.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2007 & 2006**

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

FINDING NUMBER 2007-JTMC-006

Material Weakness – Noncompliance Citation – Missing Supporting Documentation

Ohio Rev. Code Section 149.43 states in part that “all public records shall be promptly prepared and made available for inspection to any member of the general public at all reasonable times during regular business hours.” “Record” for purposes of the public records law, means any document, device, or item, regardless of physical form or characteristic, created, received by or coming under the jurisdiction of any public office which serves to document the organization, functions, policies, decisions, procedures, operations, or other activities of the public office.

Further, Ohio Rev. Code Section 149.351 states that “all records are property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under the Ohio Rev. Code Sections 149.38 to 149.42”.

Supporting documentation, such as vendor invoices, was not available for disbursements of public monies for 11% of expenditures tested. Ultimately, we were able to determine that the purchases were for proper public purposes. Failure to retain public records could result in the Township’s inability to detect errors or irregularities in the normal course of business. The Township should maintain all supporting documents to allow the Township to demonstrate that expenditures meet the criteria of public purpose.

The Fiscal Officer will ensure that all supporting documents are properly maintained and filed.

FINDING NUMBER 2007-JTMC-007

Material Weakness – Noncompliance Citation – Negative Fund Balance

Ohio Revised Code Section 5705.10 prohibits the Township from having negative fund balances. The General Fund was found to have a negative cash fund balance at December 31, 2006 and 2007 and throughout the entire audit period.

The Township is currently reducing administrative expenditures and should eliminate the General Fund negative cash fund balance during the next audit period.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2007 & 2006**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</p>

FINDING NUMBER 2007-JTMC-008

Material Weakness - Budgetary Entries in UAN System

The budgetary entries in the UAN system did not reconcile with the amended certificates of estimated resources or approved appropriation resolutions passed by the Board of Trustees. Therefore, the Board cannot properly monitor Township expenditures and receipts and management cannot adequately monitor budgetary regulations.

We recommend that the Clerk post all budgetary information to the computer system on a regular basis. This will enhance the Township's ability to monitor all budgetary receipts and expenditures in comparison to actual receipts and expenditures.

The Fiscal Officer will receive additional UAN system training.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-JTMC-001	Contrary to Ohio Rev. Code Section 5705.39, the Township had appropriations in excess of estimated resources.	No	Repeated as finding # 2007-JTMC-005.
2005-JTMC-002	Contrary to Ohio Rev. Code Section 5705.41(B), the Township had budgetary expenditures in excess of appropriations.	No	Repeated as finding # 2007-JTMC-004
2005-JTMC-003	Contrary to Ohio Rev. Code Section 5705.10, the Township had negative cash balances in its General Fund,	No	Repeated as finding # 2007-JTMC-007



Mary Taylor, CPA
Auditor of State

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
DECEMBER 2, 2008**