



Mary Taylor, CPA  
Auditor of State



**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

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# Mary Taylor, CPA

Auditor of State

Jefferson Township  
Logan County  
1826 CR 25 South  
Bellefontaine, Ohio 43358

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Mary Taylor, CPA**  
Auditor of State

September 9, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Jefferson Township  
Logan County  
1826 CR 25 South  
Bellefontaine, Ohio 43358

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Logan County, (the Township), as of 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. The Township processes its financial transactions with 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 our audit provides a reasonable basis for our opinion.

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

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

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, Logan 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 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 September 9, 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 the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

September 9, 2008



**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
<b>Cash Receipts:</b>				
Property Taxes and Other Local Taxes	\$57,846	\$88,232		\$146,078
Intergovernmental	59,825	110,192	\$15,725	185,742
Licenses, Permits, and Fees	2,853	3,559		6,412
Earnings on Investments	9,906	355		10,261
Miscellaneous	317	9,670		9,987
Total Cash Receipts	<u>130,747</u>	<u>212,008</u>	<u>15,725</u>	<u>358,480</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
General Government	73,718	448		74,166
Public Works		44,576		44,576
Health		19,031		19,031
Intergovernmental		22,959		22,959
Conservation/Recreation		5,601		5,601
Capital Outlay		23,040	15,725	38,765
<b>Debt Service:</b>				
Principal		17,645		17,645
Interest		1,693		1,693
Total Cash Disbursements	<u>73,718</u>	<u>134,993</u>	<u>15,725</u>	<u>224,436</u>
Total Receipts Over Disbursements	57,029	77,015		134,044
Fund Cash Balances, January 1	<u>90,355</u>	<u>172,308</u>		<u>262,663</u>
Fund Cash Balances, December 31	<u>\$147,384</u>	<u>\$249,323</u>	<u>\$0</u>	<u>\$396,707</u>

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

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Fiduciary Fund Type</u>
	<u>Private Purpose Trust</u>
Fund Cash Balances, January 1	<u>\$804</u>
Fund Cash Balances, December 31	<u><u>\$804</u></u>

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

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
<b>Cash Receipts:</b>				
Property Taxes and Other Local Taxes	\$56,203	\$82,072		\$138,275
Intergovernmental	46,685	113,946	\$55,275	215,906
Licenses, Permits, and Fees	4,763	5,010		9,773
Earnings on Investments	9,133	735		9,868
Miscellaneous	9,818	3,600		13,418
Total Cash Receipts	<u>126,602</u>	<u>205,363</u>	<u>55,275</u>	<u>387,240</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
General Government	86,174	433		86,607
Public Works	3,392	156,475		159,867
Health		23,414		23,414
Intergovernmental		22,370		22,370
Conservation/Recreation		5,685		5,685
Capital Outlay		363	55,275	55,638
<b>Debt Service:</b>				
Principal		16,854		16,854
Interest		2,484		2,484
Total Cash Disbursements	<u>89,566</u>	<u>228,078</u>	<u>55,275</u>	<u>372,919</u>
Total Receipts Over/(Under) Disbursements	37,036	(22,715)		14,321
Fund Cash Balances, January 1 (Restated - Not	<u>53,319</u>	<u>195,023</u>		<u>248,342</u>
Fund Cash Balances, December 31	<u>\$90,355</u>	<u>\$172,308</u>	<u>\$0</u>	<u>\$262,663</u>

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

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Fiduciary Fund Type</u>
	<u>Private Purpose Trust</u>
Fund Cash Balances, January 1 (Restated - Note 2)	<u>\$804</u>
Fund Cash Balances, December 31	<u><u>\$804</u></u>

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

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Jefferson Township, Logan County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees Township directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and park maintenance. The Township contracts with the Tri-Valley Fire District for fire and ambulance services. The Township is taxing authority for the Dr. Earl Sloan Public Library.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 8 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values Federal Home Loan Mortgage Corporation Notes at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**Gasoline Tax Fund** – This fund receives gas tax revenues which are used for constructing, maintaining, and repairing Township roads.

**Road and Bridge Fund** – This fund receives property tax revenues which are used constructing, maintaining, and repairing Township roads.

**3. Capital Project Funds**

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

**Public Works Fund** – This fund accounts for Issue II money spent on behalf of the Township for maintaining and repairing Township roads.

**County Sales Tax Fund** – This fund accounts for Logan County Sales Tax money spent on behalf of the Township for maintaining and repairing Township roads.

**4. Fiduciary Funds (Trust Funds)**

Fiduciary funds include private purpose trust funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township has the following Fiduciary Fund:

The Township's Private Purpose Trust Funds are for the upkeep of the donors' graves. The original principal is to be maintained to generate interest income.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**F. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. ACCOUNTING CHANGE**

The Cemetery Bequest Funds were previously classified as Fiduciary Fund – Non Expendable Trust Funds based on the presumption that there were binding trust agreements preventing the spending of the principal and restricting the use of the income. The Township has not been able to obtain a copy of all the wills or other documentation to support the classification of these funds as trust funds. As a result, a portion of these Trust Funds had to be reclassified to the Special Revenue Fund Type until such time the Township can obtain evidence of a trust agreement for each one. To comply with Auditor of State Bulletin 2005-005, the funds with binding trust agreements are classified as Private Purpose Trust Funds instead of Nonexpendable Trust Funds. This activity had had the following impact on fund balances at January 1, 2006:

	<b>Special Revenue Fund Type</b>	<b>Fiduciary Fund – Non Expendable Trust/Private Purpose Trust Fund</b>
Balance December 31, 2005	\$163,672	\$32,155
Restatement – Trust Funds	31,351	(31,351)
Restated Balance, January 1, 2006	\$195,023	\$ 804

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<b>2007</b>	<b>2006</b>
Demand deposits	\$368,511	\$234,467
Federal Home Loan Mortgage Corp. Notes	29,000	29,000
Total deposits and investments	\$397,511	\$263,467

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

**Investments:** The Federal Reserve holds the Township's Federal Home Loan Mortgage Corporate Notes in book-entry form by, in the name of the Township's investment company. The investment company maintains records identifying the Township as the owner of these notes.

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**4. BUDGETARY ACTIVITY**

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

**2007 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$128,226	\$130,747	\$2,521
Special Revenue	207,529	212,008	4,479
Capital Projects		15,725	15,725
Total	<u>\$335,755</u>	<u>\$358,480</u>	<u>\$22,725</u>

**2007 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$195,546	\$73,718	\$121,828
Special Revenue	352,230	134,993	217,237
Capital Projects		15,725	(15,725)
Total	<u>\$547,776</u>	<u>\$224,436</u>	<u>\$323,340</u>

**2006 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$146,000	\$126,602	(\$19,398)
Special Revenue	156,500	205,363	48,863
Capital Projects		55,275	55,275
Total	<u>\$302,500</u>	<u>\$387,240</u>	<u>\$84,740</u>

**2006 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$200,905	\$89,566	\$111,339
Special Revenue	318,540	228,078	90,462
Capital Projects		55,275	(55,275)
Total	<u>\$519,445</u>	<u>\$372,919</u>	<u>\$146,526</u>

The Township failed to record some restricted revenues in the correct fund which violated the requirements of Ohio Rev. Code Section 5705.10.

The Township failed to budget estimated receipts and appropriations for memo activity reported in the Capital Projects Funds in 2007 and 2006 which violated Ohio Rev. Code Section 5705.36(A)(2), Ohio Rev. Code Section 5705.36(A)(3), and Ohio Rev. Code Section 5705.40.



**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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.

**6. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Dump Truck	\$18,472	4.69%

On June 1, 2004, the Township entered into a promissory note to purchase a dump truck. The Township is to make annual principal and interest payments with a maturity on July 5, 2008. The debt is being paid from the Gasoline Tax Fund.

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

<b>Year ending December 31:</b>	<b>Promissory Note</b>
2008	\$19,338

**7. RETIREMENT SYSTEM**

The Township's officials and employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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. 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 PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

**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. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers' provides 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 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**Financial Position**

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006.

	<b>2007</b>	<b>2006</b>
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	\$29,852,866	\$29,921,614

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$10,515. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

<b>Contributions to OTARMA</b>	
2005	\$ 8,441
2006	9,274
2007	\$11,186

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**9. RELATED ORGANIZATION**

The Dr. Earl Sloan Public Library (the Library) is a distinct political subdivision of the State of Ohio. The Library is governed by a five member Board of Trustees. The Library possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the Township for operational subsidies. Although the Township does serve as the taxing authority and may issue tax related debt on behalf of the Library, its roll is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Clerk/Treasurer at the Dr. Earl Sloan Public Library, 2817 Sandusky Street, Zanesfield, Ohio 43347.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Jefferson Township  
Logan County  
1826 CR 25 South  
Bellefontaine, Ohio 43358

To the Board of Trustees:

We have audited the financial statements of Jefferson Township, Logan County, (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 9, 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 also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

**Internal Control Over Financial Reporting  
(Continued)**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2007-001 through 2007-004 are also material weaknesses.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated September 9, 2008.

**Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-003 through 2007-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 9, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

September 9, 2008

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Material Weakness**

**Classification of Revenues and Expenditures**

To assist in the effective management and reporting of financial resources, a township should have procedures in place to help assure that revenues and expenditures are correctly classified in the accounting records and financial statements. In 2007, the Township's General Fund had revenue classification errors of \$1,635 from improperly classifying personal property tax receipts and local government revenue, the Special Revenue Road and Bridge Fund had revenue classification errors of \$1,470 as a result of improperly classifying an insurance reimbursement, the Special Revenue Park Fund had revenue classification errors of \$600 from improperly recording mowing revenue, and the Special Revenue Library Fund had revenue classification errors of \$21,054 as the result of improperly classifying property tax revenue. In 2007, the Gasoline Tax Fund had principal and interest payments in the amount of \$19,388 improperly classified as capital outlay. In 2007, Issue II memo receipts and expenditures of \$9,715 were recorded in the General Fund, Gasoline Tax Fund and Motor Vehicle License Tax Fund instead of the Township's Capital Projects Issue II Fund.

In 2006, the Township's General Fund had revenue classification errors of \$380 as the result of improperly classifying intergovernmental revenue, and the Gasoline Tax Fund improperly classified principal and interest payments in the amount of \$19,388 as capital outlay.

The Township is the taxing authority for the Dr. Earl Sloan Public Library; therefore it collects property tax and disburses it to the Library. The Township did not disburse the electric deregulation and tangible tax reimbursement in the amount of \$224 in 2007 and \$217 in 2006 to the Library. The Township disbursed this money to the Library on June 25, 2008. In addition, the Township recorded \$20,407 of property tax revenue and the subsequent disbursement to the Library in the General Fund rather than the Special Revenue Library Fund.

The failure to correctly record revenues and expenditures in the accounting records and financial statements not only impacts the user's understanding of the financial operations, it also inhibits the Township's Trustees and management's ability to make sound financial decisions, may impact the Township's ability to comply with budgetary laws, and can result in the material misstatement of the financial statements. The accompanying financial statements have been adjusted to reflect this activity in the correct revenue classification.

The Township Fiscal Officer should review the Ohio Township Manual, the UAN Manual, and Auditor of State Audit Bulletins for guidance in the recording of revenues. The Township's Fiscal Officer and Trustees should also perform a periodic review of the financial records to help identify revenue recording errors.

**FINDING NUMBER 2007-002**

**Material Weakness**

**Fund Classifications**

To help assure the proper presentation and disclosure of fund activity, a township should classify funds according to the reporting requirements of governmental accounting. Governmental accounting requires funds with a trust agreement and principal that cannot be spent to be classified as either a permanent fund or a private purpose fund depending on whether the income derived from the principal is to benefit the entity's own operations or to benefit individuals, private organizations, or other governments. If there is a trust agreement and both the principal and income can be spent, the fund should be classified as either a special revenue fund or a private purpose trust fund depending of whether or not the money is to benefit the entity's own operations or to benefit individuals, private organizations, or other governments. Absent a trust agreement, contributions with a restricted purpose should be classified as a special revenue fund.

The Township classified all of its trust funds, previously classified as Nonexpendable Trust Funds, as Special Revenue Funds. However three of these funds have wills (trusts) that indicate the original principal is to be maintained and the income from the principal is to be spent for grave upkeep. Therefore these funds should be classified as Private Purpose Trust Funds.

The accompanying financial statements have been adjusted to correctly classify these funds. The impact on the fund type balances at December 31 is as follows:

<u>Year</u>	<u>Fund Type</u>	<u>Amount</u>	<u>Year</u>	<u>Fund Type</u>	<u>Amount</u>
<b>2007</b>	Special Revenue	(\$804)	<b>2006</b>	Special Revenue	(\$804)
	Private Purpose	804		Private Purpose	804

The failure to prepare financial statements that are consistent with the presentation used by governmental entities, that are accurate, classified correctly, and complete, not only inhibits the user's ability to fully understand the results of operations but may also result in material financial statement reporting errors. The Township Fiscal Officer should review governmental accounting resources such as the Ohio Township Manual, the UAN Manual, and Auditor of State Bulletin 2005-005 to further the understanding of fund classifications. In addition, the Township should attempt to obtain copies of the wills for the remaining funds. If the Township is unable to obtain this information, they consult with legal counsel to determine the proper course of action. In addition, the Township should allocate to the Private Purpose Trust Funds any interest revenue and related expenditures earned and expended on the balances of these funds.

**FINDING NUMBER 2007-003**

**Material Weakness/Noncompliance Citation**

**Ohio Rev. Code, Section 5705.10(D)**, states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. During 2007 and 2006, the Township failed to record auto license tax revenue, property tax revenue, personal property tax revenue, utility reimbursement revenue, personal property tax replacement revenue, \$10,000 personal property tax revenue, and trailer tax revenues in the correct fund.

The failure to record restricted revenues in the correct fund may violate the imposed restriction on the revenue, may also result in the material misstatement of the financial statements, may impact the Township's ability to make sound financial decisions, and may inhibit the users understanding of the financial statements.



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

The accompanying financial statements have been adjusted to correctly classify this revenue. Fund balances at December 31 were impacted as follows:

<u>Fund</u>	<u>2007</u>	<u>Amount</u>	<u>Fund Type</u>	<u>2006</u>	<u>Amount</u>
General	Decrease	(\$3,174)	General	Decrease	(\$943)
Motor Vehicle License	Increase	685	Motor Vehicle License	Decrease	(488)
Tax Fund			Tax Fund		
Road and Bridge	Increase	1,076	Road and Bridge	Increase	417
Cemetery	Increase	717	Cemetery	Increase	255
Park	Increase	437	Park	Increase	177
Library	Increase	259	Library	Increase	582

Additionally, the levy proceeds and subsequent disbursement to the Dr. Earl Sloan Library for levy proceeds were incorrectly recorded in the general fund rather than the special revenue library fund (see finding 2007-001).

The Township Fiscal Officer should utilize resources such as the Ohio Revised Code, Chapter 1 of the Ohio Compliance Supplement, the UAN Manual, and the Ohio Township Manual to provide guidance on the recording of revenues. In addition, the Township should implement review and monitoring procedures to help assure that revenues are recorded in the correct fund.

**FINDING NUMBER 2007-004**

**Material Weakness/Noncompliance Citation**

**Ohio Rev. Code Section 5705.36(A)(2)** allows all subdivisions to request increased amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount in the official certificate of estimated resources. **Ohio Rev. Code Section 5705.36(A)(3)** requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. **Ohio Rev. Code Section 5705.40** allows an entity to amend or supplement appropriations.

In 2007 and 2006, the Township failed to amend the certificate of estimated resources and the appropriations resolution for Issue II money and Logan County sales tax money, in the amount of \$15,725 and \$55,275 respectively, spent on behalf of the Township. In addition, the Township also failed to record in its accounting records and annual financial statements the memo entries to account for the receipt and disbursement of this money in 2006. The accompanying financial statements have been adjusted to reflect receipt and disbursement of this money.

The failure to record this activity not only prevents the users of the financial statements from seeing the financial benefit received by the Township but results in a material misstatement of the financial statements.

The Township should review Auditor of State Bulletin 2002-004 for guidance in the budgeting and recording of Issue II money and other similar on-behalf funding. Procedures should then be implemented by the Township to help assure the recording of this activity in the accounting records and financial statements.

**FINDING NUMBER 2007-005**

**Findings For Recovery / Repaid Under Audit**

**Ohio Rev. Code Section 117.28** authorizes the Auditor of State to report a *finding for recovery* in audit reports when legal action may be appropriate to recover public money or property. **Ohio Rev. Code Section 117.01 (C)** defines *public money* as "any money received, collected by, or due a public official under color of office, as well as any money collected by any individual on behalf of a public office or as a purported representative or agent of a public office." Under **Ohio Rev. Code Sections 9.24(H)(3) and 117.28**, a finding for recovery may exist for public money collected but unaccounted for.

The Township receives personal property tangible replacement revenue from the State of Ohio. The payment received in November of 2007 was deposited into the bank account of the Logan County Habitat for Humanity.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money collected but unaccounted for, is hereby rendered against the Logan County Habitat for Humanity, in the amount of \$599.70, and in favor of the Township's General Fund in the amount of \$235.08 Special Revenue Road and Bridge Fund in the amount of \$130.14 Special Revenue Cemetery Fund in the amount of \$94.15, Special Revenue Park Fund in the amount of \$54.57, and the Special Revenue Earl Sloan Library Fund in the amount of \$85.76

On May 2, 2008, the Logan County Habitat for Humanity issued check number 3249, in the amount of \$599.70 which was allocated and recorded in the appropriate funds with receipt #45-2008 by the Township.

**OFFICIALS' RESPONSE**

We did not receive a response from Officials to the findings reported above.

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: <b><i>Explain</i></b>
2005-001	Ohio Rev. Code Section 5705.09 – Establishment of a special fund for each special levy	Yes	
2005-002	Ohio Rev. Code Section 5705.10 – revenue recorded in the wrong fund	No	Repeated as finding 2007-003.





**Mary Taylor, CPA**  
Auditor of State

**JEFFERSON TOWNSHIP**

**LOGAN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 14, 2008**