



**Auditor of State
Betty Montgomery**

**JEFFERSON TOWNSHIP
FAYETTE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Jefferson Township
Fayette County
28 South Main Street
Jeffersonville, Ohio 43128

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Fayette County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

July 8, 2004

JEFFERSON TOWNSHIP
FAYETTE 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, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Fiduciary Fund</u>	
Cash Receipts:					
Local Taxes	\$ 26,664	\$ 182,042	\$ 117,771	\$ -	\$ 326,477
Intergovernmental	115,813	102,346			218,159
Charges for Services		1,680			1,680
Licenses, Permits, and Fees		9,816			9,816
Earnings on Investments	1,351	103		20	1,474
Other Revenue	-	8,396			8,396
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Cash Receipts	<u>143,828</u>	<u>304,383</u>	<u>117,771</u>	<u>20</u>	<u>566,002</u>
Cash Disbursements:					
Current:					
General Government	78,527				78,527
Public Safety	353	38,368			38,721
Public Works	890	131,530			132,420
Health	13,102	18,366			31,468
Capital Outlay	28,071	23,485			51,556
Conservation - Recreation	4,855				4,855
Debt Service:					
Note Principal Payment			39,462		39,462
Bond Principal Payment			54,138		54,138
Interest and Fiscal Charges			24,124		24,124
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Cash Disbursements	<u>125,798</u>	<u>211,749</u>	<u>117,724</u>	<u>-</u>	<u>455,271</u>
Total Receipts Over/(Under) Disbursement:	<u>18,030</u>	<u>92,634</u>	<u>47</u>	<u>20</u>	<u>110,731</u>
Other Financing Receipts:					
Other Sources	<u>742</u>	<u>1,175</u>			<u>1,917</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	18,772	93,809	47	20	112,648
Fund Cash Balances, January 1	<u>218,454</u>	<u>234,597</u>	<u>67,531</u>	<u>1,712</u>	<u>522,294</u>
Fund Cash Balances, December 31	<u>\$ 237,226</u>	<u>\$ 328,406</u>	<u>\$ 67,578</u>	<u>\$ 1,732</u>	<u>\$ 634,942</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$7,800</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,800</u>

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

**JEFFERSON TOWNSHIP
FAYETTE 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, 2002**

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Fiduciary Fund	(Memorandum Only)
Cash Receipts:					
Local Taxes	\$ 25,386	\$ 167,619	\$ 119,040	\$ -	\$ 312,045
Intergovernmental	145,392	99,096			244,488
Charges for Services		1,680			1,680
Licenses, Permits, and Fees		7,181			7,181
Earnings on Investments	1,980	242		20	2,242
Other Revenue	-	2,481			2,481
	<u>172,758</u>	<u>278,299</u>	<u>119,040</u>	<u>20</u>	<u>570,117</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	100,305				100,305
Public Safety	353	38,234			38,587
Public Works	774	180,913			181,687
Health	13,350	16,082			29,432
Capital Outlay	2,849	25,392			28,241
Conservation - Recreation	1,481				1,481
Debt Service:					
Note Principal Payment			39,463		39,463
Bond Principal Payment			51,315		51,315
Interest and Fiscal Charges			28,839		28,839
	<u>119,112</u>	<u>260,621</u>	<u>119,617</u>	<u>-</u>	<u>499,350</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursement:	<u>53,646</u>	<u>17,678</u>	<u>(577)</u>	<u>20</u>	<u>70,767</u>
Other Financing Receipts:					
Other Sources	<u>35,047</u>	<u>6,225</u>			<u>41,272</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	88,693	23,903	(577)	20	112,039
Fund Cash Balances, January 1	<u>129,761</u>	<u>210,694</u>	<u>68,108</u>	<u>1,692</u>	<u>410,255</u>
Fund Cash Balances, December 31	<u>\$ 218,454</u>	<u>\$ 234,597</u>	<u>\$ 67,531</u>	<u>\$ 1,712</u>	<u>\$ 522,294</u>

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

**JEFFERSON TOWNSHIP
FAYETTE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash Deposits and Investments

The Township invests all available funds, except the Trust Fund, in a public fund NOW checking account with a local commercial bank. The Trust Fund is deposited in a savings account and invested in a U.S. savings bond. Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. The savings bond is valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Motor Vehicle License Tax Fund - This fund receives motor vehicle tax money to pay for constructing, maintaining and repairing Township roads.

**JEFFERSON TOWNSHIP
FAYETTE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Cemetery Fund - This fund receives money from the sale of lots used for maintaining and operating the Township cemeteries.

Fire Levy Fund - This fund receives property tax money for providing fire protection for Township residents.

Permissive Motor Vehicle License Tax Fund - This fund receives proceeds from the permissive motor vehicle license tax levied by Fayette County on motor vehicle license sales for road maintenance and repairs.

3. Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment of bond and note indebtedness principal and interest.

4. Fiduciary Funds (Non-expendable Trust Fund)

This fund is used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Cemetery Trust fund is used to account for the funds held in trust for specific uses in the cemetery. Only the interest earnings can be expended.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**JEFFERSON TOWNSHIP
FAYETTE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and deposit pool used by all funds except the Trust Fund. The Trust Fund is deposited in a savings account and invested in a U.S. savings bond. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2003	2002
Demand deposits	\$633,442	\$520,794
Savings account	1,000	1,000
Total deposits	634,442	521,794
U.S. savings bond	500	500
Total deposits and investments	\$634,942	\$522,294

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

Investments: The Township invests the principal of a cemetery trust in a U.S. Saving Series HH Bond as requested by the Donor. The U.S. Savings Bond is insured by the U.S. Government and is registered in the Township's name. The carrying amount and market value of the investment at December 31, 2003 and 2002 was \$500.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,600	\$144,570	\$105,970
Special Revenue	280,265	305,558	25,293
Debt Service	117,820	117,771	(49)
Fiduciary	20	20	0
Total	\$436,705	\$567,919	\$131,214

**JEFFERSON TOWNSHIP
FAYETTE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$257,054	\$125,798	\$131,256
Special Revenue	514,863	219,549	295,314
Debt Service	185,351	117,724	67,627
Fiduciary	1,732	0	1,732
Total	<u>\$959,000</u>	<u>\$463,071</u>	<u>\$495,929</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,540	\$207,805	\$151,265
Special Revenue	260,538	284,524	23,986
Debt Service	118,408	119,040	632
Fiduciary	30	20	(10)
Total	<u>\$435,516</u>	<u>\$611,389</u>	<u>\$175,873</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$186,301	\$119,112	\$67,189
Special Revenue	471,231	260,621	210,610
Debt Service	186,516	119,617	66,899
Fiduciary	1,721	0	1,721
Total	<u>\$845,769</u>	<u>\$499,350</u>	<u>\$346,419</u>

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Township.

**JEFFERSON TOWNSHIP
FAYETTE COUNTY**

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

4. PROPERTY TAX (Continued)

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

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Township Building Note	197,313	4.6%
Fire Truck Bond	180,942	5.5
Total	\$378,255	

The general obligation note was issued in 1999 for a period of nine years to finance the construction of a new building to house fire equipment. The general obligation bonds were issued in 2001 for a period of five years to finance the purchase of a new fire truck. The note and bonds are collateralized solely by the Township's taxing authority.

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

	General Obligation Note	General Obligation Bonds	Total
Year ending December 31:			
2004	48,539	67,067	115,606
2005	46,723	67,067	113,790
2006	44,909	67,067	111,976
2007	43,093	0	43,093
2008	41,278	0	41,278
Total	\$224,542	\$201,201	\$425,743

6. RETIREMENT SYSTEMS

The Township's elected officials and part time 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 2003 and 2002, members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

**JEFFERSON TOWNSHIP
FAYETTE COUNTY**

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

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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

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

Property Coverage

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

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

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

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

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



**Auditor of State
Betty Montgomery**

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

Jefferson Township
Fayette County
28 South Main Street
Jeffersonville, Ohio 43128

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Fayette County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated July 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 8, 2004.

Internal Control Over Financial Reporting

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

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

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

Betty Montgomery
Auditor of State

July 8, 2004

**JEFFERSON TOWNSHIP
FAYETTE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-41624-001	Ohio Revised Code, Section 5705.41 (D) - Prior certificate for expenditures	No	Partially Corrected – Then and Now certifications were signed for all expenditures. Recommendation made in Management Letter that prior certification by used.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140
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JEFFERSON TOWNSHIP

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 5, 2004**