



**Auditor of State
Betty Montgomery**

JEFFERSON TOWNSHIP
LOGAN COUNTY

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Auditor of State Betty Montgomery

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, 2003 and 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this type of service to impair the independence of the Auditor of State to conduct the audit of the Village, 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, because Ohio Revised Code 117.101 requires the Auditor 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 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 April 22, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

April 22, 2004

**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, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$49,622	\$55,386	\$105,008
Intergovernmental Receipts	46,225	68,219	114,444
Charges for Services		400	400
Fines, Licenses, and Permits	4,136	4,701	8,837
Earnings on Investments	1,363	985	2,348
Miscellaneous	4,498	6,218	10,716
	<u>105,844</u>	<u>135,909</u>	<u>241,753</u>
Cash Disbursements:			
Current:			
General Government	71,524		71,524
Public Works		86,402	86,402
Health		19,650	19,650
Conservation-Recreation		12,527	12,527
Capital Outlay	700	4,085	4,785
Debt Service			
Principal		12,378	12,378
Interest		1,602	1,602
	<u>72,224</u>	<u>136,644</u>	<u>208,868</u>
Total Receipts Over/(Under) Disbursements	<u>33,620</u>	<u>(735)</u>	<u>32,885</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		15,915	15,915
Transfers-Out	(15,000)		(15,000)
	<u>(15,000)</u>		<u>(15,000)</u>
Total Other Financing Receipts/(Disbursements)	<u>(15,000)</u>		<u>(15,000)</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	18,620	15,180	33,800
Fund Cash Balances, January 1	<u>29,708</u>	<u>152,861</u>	<u>182,569</u>
Fund Cash Balances, December 31	<u><u>\$48,328</u></u>	<u><u>\$168,041</u></u>	<u><u>\$216,369</u></u>
Reserves for Encumbrances, December 31		<u><u>\$13,095</u></u>	<u><u>\$13,095</u></u>

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

JEFFERSON TOWNSHIP
LOGAN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

Operating Cash Receipts:	
Earnings on Investments	\$1,566
Operating Cash Disbursements:	
Purchased Services	<u>196</u>
Operating Income	1,370
Non-Operating Cash Disbursements:	
Transfers-Out	<u>915</u>
Net Receipts Over Disbursements	455
Fund Cash Balance January 1	<u>28,545</u>
Fund Cash Balance, December 31	<u><u>\$29,000</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, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$47,698	\$52,673		\$100,371
Intergovernmental Receipts	47,062	65,046	30,380	142,488
Fines, Licenses, and Permits	4,480	3,000		7,480
Earnings on Investments	360	2,155		2,515
Miscellaneous	1,378	13,304		14,682
	<hr/>			
Total Cash Receipts	100,978	136,178	30,380	267,536
Cash Disbursements:				
Current:				
General Government	75,136	5,577		80,713
Public Works		44,422		44,422
Health		13,523		13,523
Conservation-Recreation		8,892		8,892
Capital Outlay		8,885	30,380	39,265
Debt Service				
Principal		11,647		11,647
Interest		2,333		2,333
	<hr/>			
Total Cash Disbursements	75,136	95,279	30,380	200,795
Total Receipts Over Disbursements	25,842	40,899		66,741
Other Financing Receipts:				
Other Financing Sources	67			67
	<hr/>			
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	25,909	40,899		66,808
Fund Cash Balances, January 1	3,799	111,962		115,761
	<hr/>			
Fund Cash Balances, December 31	\$29,708	\$152,861		\$182,569
	<hr/>			
Reserves for Encumbrances, December 31	\$450	\$311		\$761
	<hr/>			

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

JEFFERSON TOWNSHIP
LOGAN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Earnings on Investments	\$1,062
Operatinf Cash Disbursements	<u>0</u>
Operating Income	1,062
Fund Cash Balance, January 1	<u>27,483</u>
Fund Cash Balance, December 31	<u><u>\$28,545</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, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Jefferson Township, Logan County, (the "Township"), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, and park maintenance. The Township contracts with the Tri-Valley Fire District to provide fire and emergency services.

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 and Investments

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.

Certificates of deposit, and U.S. Government Bonds are valued at cost. Money market mutual funds are recorded at share values reported by the mutual fund.

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:

**JEFFERSON TOWNSHIP
LOGAN 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 approving Township roads.

3. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. The Township had the following Nonexpendable Trust Fund:

Cemetery Bequest Fund – This Nonexpendable Trust Fund accounts for the principal portion of money donated for the upkeep of the donor's graves.

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.

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 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.

**JEFFERSON TOWNSHIP
LOGAN COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments 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:

	2003	2002
Demand deposits	\$177,939	\$144,893
Government Bonds	29,000	
Certificates of deposit	38,430	66,221
Total deposits	\$245,369	\$211,114

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

On October 16, 2003, after receiving advice from its legal counsel, the Township purchased 29 Federal Home Loan Mortgage Bonds. These bonds have a 5.5% interest rate, mature on October 15, 2003, and are subject to call on October 15, 2007.

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	\$98,500	\$105,844	\$7,344
Special Revenue	129,000	151,824	22,824
Non-Expendable Trust	2,315	1,566	(749)
Total	\$229,815	\$259,234	\$29,419

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$128,208	\$87,224	\$40,984
Special Revenue	277,861	149,739	128,122
Non-Expendable Trust	2,315	1,111	1,204
Total	\$408,384	\$238,074	\$170,310

**JEFFERSON TOWNSHIP
LOGAN COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$98,853	\$101,045	\$2,192
Special Revenue	127,825	136,178	8,353
Capital Projects	30,380	30,380	
Non-Expendable Trust	1,400	1,062	(338)
Total	<u>\$258,458</u>	<u>\$268,665</u>	<u>\$10,207</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,652	\$75,586	\$27,066
Special Revenue	239,787	95,590	144,197
Capital Projects	30,380	30,380	
Non-Expendable Trust	1,400		1,400
Total	<u>\$374,219</u>	<u>\$201,556</u>	<u>\$172,663</u>

The Township recorded some revenues in the incorrect funds which violated the requirements of Ohio Rev. Code Section 5705.10.

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.

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:

Lease/Purchase	<u>Principal</u>	<u>Interest Rate</u>
	\$13,154	5.89%

**JEFFERSON TOWNSHIP
LOGAN COUNTY**

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

5. DEBT (Continued)

On March 13, 1996, the Township entered into a lease/purchase agreement for a dump truck for use on Township Roads. The lease/purchase payments are being made from the Gasoline Tax Fund.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending December 31: 2004	\$13,154	\$825	\$13,979

6. RETIREMENT SYSTEMS

Employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS 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, PERS 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.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

8. RELATED ORGANIZATION

Dr. Earl Sloan Library

The Dr. Earl Sloan Library is a distinct political subdivision of the State of Ohio. The Library is governed by a Board of Trustees. The Board of Trustees 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 role 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 Library, at 2817 Sandusky Street, Zanesfield, Ohio 43360-0116.

**JEFFERSON TOWNSHIP
LOGAN COUNTY**

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

9. TRANSFER FROM NON-EXPENDABLE TRUST

During 2003, a portion of the interest earned on the Nonexpendable Trust Fund was transferred to the Special Revenue Cemetery Fund. This transfer was made since the Cemetery Fund had paid for the upkeep of the 15 graves as specified in the wills.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL 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 accompanying financial statements of Jefferson Township, Logan County, (the "Township"), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 22, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of States' Uniform Accounting Network (UAN). *Government Auditing Standards* considers this type of service to impair the independence of the Auditor of State to conduct the audit of the Township, because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001.

Internal Control Over Financial Reporting

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

However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 22, 2004

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

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

April 22, 2004

**JEFFERSON TOWNSHIP
LOGAN COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-001

Noncompliance

Ohio Rev. Code Section 5705.10 states that all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for that purpose. During 2003, the Township recorded property tax revenue and gasoline tax revenue in the incorrect fund.

The Township has made the necessary adjustments to increase/decrease fund balances to properly reflect the recording of these revenues. The financial statements in this report reflect these adjustments. These adjustments had the following effect upon the respective fund balances:

YEAR	General	Special Revenue Gasoline Tax Fund	Special Revenue Road and Bridge Fund
2003	(\$17,726)	\$5,809	\$11,917

Periodically, the Trustees should review the financial records to help identify errors in the recording of revenues.

**JEFFERSON TOWNSHIP
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
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>
2001-40346-001	ORC Sec. 135.18(A) – inadequate collateral for deposits	Yes	
2001-40346-002	ORC Sec. 5705.39 – appropriations greater than estimated resources	Yes	



**Auditor of State
Betty Montgomery**

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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
JUNE 10, 2004**