



**Auditor of State
Betty Montgomery**

JEFFERSON TOWNSHIP
FRANKLIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
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, 2004	5
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.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	18

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**Auditor of State
Betty Montgomery**

Jefferson Township
Franklin County
6545 Havens Road
Blacklick, Ohio 43004

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 a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township 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 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 "Betty Montgomery".

**Betty Montgomery
Auditor of State**

August 26, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Jefferson Township
Franklin County
6545 Havens Road
Blacklick, Ohio 43004

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Franklin County, Ohio (the Township) as of and for the years ended December 31, 2004 and 2003. 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 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, 2004, or its changes in financial position for the year then ended.

Also, 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 Jefferson Township, Franklin County, Ohio, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2005, 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.



Betty Montgomery
Auditor of State

August 26, 2005

**JEFFERSON TOWNSHIP
FRANKLIN 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, 2004**

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Agency	
Cash Receipts:						
Local Taxes	\$135,800	\$1,691,970	\$140,154	\$0	\$0	\$1,967,924
Intergovernmental	322,622	297,292	16,371	0	0	636,285
Special Assessments	0	10,209	0	0	0	10,209
Licenses, Permits, and Fees	241,437	175,319	0	0	0	416,756
Earnings on Investments	22,142	322	0	0	0	22,464
Other Revenue	29,706	23,010	0	0	197,000	249,716
	<u>751,707</u>	<u>2,198,122</u>	<u>156,525</u>	<u>0</u>	<u>197,000</u>	<u>3,303,354</u>
Total Cash Receipts						
Cash Disbursements:						
Current:						
General Government	583,532	173,473	0	0	0	757,005
Public Safety	0	1,488,662	0	0	0	1,488,662
Public Works	22,421	474,066	0	0	0	496,487
Health	0	20,050	0	0	0	20,050
Conservation - Recreation	42,023	0	0	0	0	42,023
Miscellaneous	0	0	0	0	117,000	117,000
Debt Service:						
Redemption of Principal	0	73,724	50,000	0	0	123,724
Interest and Fiscal Charges	0	8,838	89,850	0	0	98,688
Capital Outlay	4,499	116,809	873	0	0	122,181
	<u>652,475</u>	<u>2,355,622</u>	<u>140,723</u>	<u>0</u>	<u>117,000</u>	<u>3,265,820</u>
Total Cash Disbursements						
Total Receipts Over/(Under) Disbursements	<u>99,232</u>	<u>(157,500)</u>	<u>15,802</u>	<u>0</u>	<u>80,000</u>	<u>37,534</u>
Other Financing Receipts and (Disbursements):						
Proceeds from Debt	0	187,733	0	0	0	187,733
Transfers-In	0	176,000	0	0	0	176,000
Transfers-Out	(176,000)	0	0	0	0	(176,000)
Other Uses	(24,675)	0	0	0	0	(24,675)
	<u>(200,675)</u>	<u>363,733</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>163,058</u>
Total Other Financing Receipts/(Disbursements)						
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(101,443)</u>	<u>206,233</u>	<u>15,802</u>	<u>0</u>	<u>80,000</u>	<u>200,592</u>
Fund Cash Balances, January 1	<u>767,423</u>	<u>558,637</u>	<u>63,202</u>	<u>11,183</u>	<u>282,685</u>	<u>1,683,130</u>
Fund Cash Balances, December 31	<u><u>\$665,980</u></u>	<u><u>\$764,870</u></u>	<u><u>\$79,004</u></u>	<u><u>\$11,183</u></u>	<u><u>\$362,685</u></u>	<u><u>\$1,883,722</u></u>
Reserve for Encumbrances, December 31	<u><u>\$0</u></u>	<u><u>\$98,733</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$98,733</u></u>

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

**JEFFERSON TOWNSHIP
FRANKLIN 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>				<u>Fiduciary</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Agency</u>	
Cash Receipts:						
Local Taxes	\$120,905	\$1,534,468	\$125,818	\$0	\$0	\$1,781,191
Intergovernmental	844,675	284,241	14,655	0	0	1,143,571
Special Assessments	0	10,174	0	0	0	10,174
Licenses, Permits, and Fees	195,731	141,875	0	0	0	337,606
Earnings on Investments	15,210	312	0	0	0	15,522
Other Revenue	63,077	24,593	0	0	200,000	287,670
	<u>1,239,598</u>	<u>1,995,663</u>	<u>140,473</u>	<u>0</u>	<u>200,000</u>	<u>3,575,734</u>
Total Cash Receipts						
Cash Disbursements:						
Current:						
General Government	485,040	180,158	0	0	0	665,198
Public Safety	0	1,288,613	0	0	0	1,288,613
Public Works	11,497	462,398	0	0	0	473,895
Health	0	14,560	0	0	0	14,560
Conservation - Recreation	38,100	0	0	0	0	38,100
Miscellaneous	0	0	0	0	96,180	96,180
Debt Service:						
Redemption of Principal	0	57,362	65,000	0	0	122,362
Interest and Fiscal Charges	0	9,620	93,098	0	0	102,718
Capital Outlay	0	336,146	1,623	918	0	338,687
	<u>534,637</u>	<u>2,348,857</u>	<u>159,721</u>	<u>918</u>	<u>96,180</u>	<u>3,140,313</u>
Total Cash Disbursements						
Total Receipts Over/(Under) Disbursements	<u>704,961</u>	<u>(353,194)</u>	<u>(19,248)</u>	<u>(918)</u>	<u>103,820</u>	<u>435,421</u>
Other Financing Receipts and (Disbursements):						
Transfers-In	1,033	163,000	25,748	0	20	189,801
Transfers-Out	(188,753)	(15)	0	0	(1,033)	(189,801)
Other Uses	(22,750)	0	0	0	0	(22,750)
	<u>(210,470)</u>	<u>162,985</u>	<u>25,748</u>	<u>0</u>	<u>(1,013)</u>	<u>(22,750)</u>
Total Other Financing Receipts/(Disbursements)						
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	494,491	(190,209)	6,500	(918)	102,807	412,671
Fund Cash Balances, January 1	<u>272,932</u>	<u>748,846</u>	<u>56,702</u>	<u>12,101</u>	<u>179,878</u>	<u>1,270,459</u>
Fund Cash Balances, December 31	<u>\$767,423</u>	<u>\$558,637</u>	<u>\$63,202</u>	<u>\$11,183</u>	<u>\$282,685</u>	<u>\$1,683,130</u>

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

**JEFFERSON TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 the Jefferson Township, Franklin County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. 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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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

Fire Fund - This fund receives property tax money for providing security of persons and property for Township residents.

**JEFFERSON TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

General Bond (Note) Retirement Fund - This fund receives property tax money for the retirement of general obligation bonds for the construction of a new fire station.

4. Capital Projects Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Township had the following Capital Projects Fund:

Bond Fund – This fund received the bond proceeds for the construction of a new fire station.

5. Fiduciary Funds (Agency Funds)

These funds account for funds for which the Township is acting in an agency capacity. The Township had the following significant Fiduciary Fund:

Agency Fund – This fund receives money held for contractors until compliance requirements have been met for the development or maintenance of Township property.

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
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (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. The Township did not encumber all commitments as required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$1,883,722	\$1,681,739
STAR Ohio	<u>0</u>	<u>1,391</u>
Total deposits and investments	<u>\$1,883,722</u>	<u>\$1,683,130</u>

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**JEFFERSON TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and December 31, 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$613,166	\$751,707	\$138,541
Special Revenue	2,405,621	2,561,855	156,234
Debt Service	151,366	156,525	5,159
Capital Projects	789	0	(789)
Agency	103,000	197,000	94,000
Total	<u>\$3,273,942</u>	<u>\$3,667,087</u>	<u>\$393,145</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,033,229	\$853,150	\$180,079
Special Revenue	2,755,225	2,454,355	300,870
Debt Service	141,850	140,723	1,127
Capital Projects	11,183	0	11,183
Agency	175,942	117,000	58,942
Total	<u>\$4,117,429</u>	<u>\$3,565,228</u>	<u>\$552,201</u>

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,146,751	\$1,240,631	\$93,880
Special Revenue	2,150,867	2,158,663	7,796
Debt Service	190,167	166,221	(23,946)
Capital Projects	0	0	0
Agency	80,000	200,020	120,020
Total	<u>\$3,567,785</u>	<u>\$3,765,535</u>	<u>\$197,750</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$847,596	\$746,140	\$101,456
Special Revenue	2,493,777	2,348,872	144,905
Debt Service	160,108	159,721	387
Capital Projects	918	918	0
Agency	176,956	97,213	79,743
Total	<u>\$3,679,355</u>	<u>\$3,352,864</u>	<u>\$326,491</u>

**JEFFERSON TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
General Obligation Bonds, Series 1998A	\$850,000	variable
General Obligation Bonds, Series 1998B	855,000	5.00%
Equipment Bonds (Dump Truck)	17,693	5.25%
Lease-Purchase Agreement (Fire Truck)	154,750	3.21%
Lease-Purchase Agreement (Dump Truck)	98,733	4.69%
Lease-Purchase Agreement (Ambulance)	74,713	3.00%
Total	\$2,050,889	

The General Obligation Bonds were issued for the purpose of constructing a fire station, furnishing and equipping the fire station and acquiring land and interest in land necessary for the construction. The bonds are collateralized solely by the Township's taxing authority.

Township Building Notes were issued for the purpose of acquiring, renovating and expanding land and a building for Township purposes. These notes were repaid in full in January 2003.

The Equipment Bonds were issued for the purchase of a dump truck to be used for Township road maintenance.

The Township entered into lease purchase agreements with The Fifth Third Bank of Columbus on December 2, 2002, January 8, 2004, and December 14, 2004 for the purchases, respectively, of a fire truck, ambulance, and dump truck.

**JEFFERSON TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	General Obligation Bonds, Series 1998A	General Obligation Bonds, Series 1998B	Equipment Bonds	Lease Purchase Agreements
2005	\$68,975	\$67,750	\$12,420	\$108,146
2006	67,100	66,500	6,210	108,146
2007	70,225	70,250	0	92,224
2008	68,560	68,750	0	22,382
2009	72,135	72,250	0	22,382
2010-2014	381,680	376,750	0	0
2015-2019	416,088	417,500	0	0
2020-2024	166,985	177,500	0	0
Total	<u>\$1,311,748</u>	<u>\$1,317,250</u>	<u>\$18,630</u>	<u>\$353,280</u>

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2003 and 2004, members of OP&F participants contributed 10 percent of their wages. The employee contribution was picked-up by the Township. The Township contributed an amount equal to 24 percent of their wages to OP&F. OPERS members contributed 8.5 percent of their gross salaries. The employee contribution was picked-up by the Township. The Township contributed an amount equaling 13.55 percent of participants' gross salaries.

The Township's part-time firefighters pay FICA taxes. FICA contribution rates are governed by the Social Security Administration and approved by the United States Congress. Members of FICA contributed 6.2% of their wages to FICA. The Township also contributed an amount equal to 6.2% of their wages.

The Township has paid all contributions required through December 31, 2004.

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.

**JEFFERSON TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Townships 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 \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding 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 township.

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:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

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Auditor of State Betty Montgomery

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

Jefferson Township
Franklin County
6545 Havens Road
Blacklick, Ohio 43004

To the Board of Trustees:

We have audited the financial statements of Jefferson Township, Franklin County, Ohio (the Township) as of and for the years ended December 31, 2004 and December 31, 2003, and have issued our report thereon dated August 26, 2005, 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 that 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 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 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated August 26, 2005, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Jefferson Township
Franklin County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management and Board of Trustees. It is not intended for 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

August 26, 2005

**JEFFERSON TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS FINDING NUMBER 2004-001
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Ohio Rev. Code Section 5705.41 (D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

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

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

2. Blanket Certificate - Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. (Subsequent to September 26, 2003, blanket certificates are permitted only if the Township has approved their use and subject to the maximum amount approved by the Township. These certificates are no longer limited to three months.)

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

The Township did not certify the availability of funds prior to the purchase commitment for eleven percent of expenditures tested in 2004 and twenty-six percent of expenditures tested in 2003. For these items, the Township also did not prepare blanket certificates, super blanket certificates or then and now certificates in accordance with the section. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Clerk certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

JEFFERSON TOWNSHIP
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-40625-001	Revised Code § 5705.41(D), failure to certify funds	No	Not Corrected; repeated as Finding 2004-001



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

JEFFERSON TOWNSHIP

FRANKLIN 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
NOVEMBER 10, 2005**