



**Mary Taylor, CPA**  
Auditor of State



JEFFERSON TOWNSHIP  
FRANKLIN COUNTY

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# Mary Taylor, CPA

Auditor of State

## 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 the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Township, Franklin County, Ohio (the Township), as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Township, Franklin County, Ohio, as of December 31, 2006, and the respective changes in modified cash financial position and the respective budgetary comparison for the General and Fire Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2007, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

August 8, 2007

**JEFFERSON TOWNSHIP  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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This discussion and analysis of Jefferson Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, within the limitations of the Township's modified cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2006 are as follows:

Net assets of Township activities increased \$ 583,627.79 or 31 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Fire Fund, largely due to passage in 2004 of a replacement fire levy.

The Township's general receipts are primarily property taxes. These receipts represent respectively \$2,613,915.96 and 63 percent of the total cash received for Governmental activities during the year. Property tax receipts for 2006 increased compared to 2005 as development within the Township continued.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Government Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the Township-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**JEFFERSON TOWNSHIP  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2006, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the Governmental and business-type activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each Governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each Governmental function or business-type activity draws from the Township's general receipts.

These statements report the Township's cash position and changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of its capital assets and infrastructure, the extent of its debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

The Statement of Net Assets and the Statement of Activities present governmental activities, which includes all of the Township services. The Township has no business type activities.

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are split into two categories: Governmental and fiduciary.

Governmental Funds - Most of the Township's activities are reported in Governmental funds. The Governmental fund financial statements provide a detailed view of the Township's Governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant Governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major Governmental funds are the General Fund and the Fire Fund. The programs reported in Governmental funds are the same as those reported in Governmental activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the Township-wide financial statements because the resources of these funds are not available to support its programs.

**JEFFERSON TOWNSHIP  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 on a modified cash basis:

(Table 1)

**Net Assets**

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Cash and Cash Equivalents	\$2,457,268.26	\$1,873,640.47
Total Assets	\$2,457,268.26	\$1,873,640.47
<b>Net Assets</b>		
Restricted for:		
Debt Service	\$91,051.45	\$82,876.68
Capital Outlay	11,183.34	11,183.34
Other Purposes	1,480,400.52	1,013,937.38
Unrestricted	874,632.95	765,643.07
Total Net Assets	\$2,457,268.26	\$1,873,640.47

As mentioned previously, net assets of Township activities increased \$583,627.79 or 31 percent during 2006. The primary reason contributing to the increase in cash balances was the growth in local tax receipts. Over the last several years, new construction has resulted in more than \$200 million in increased assessed real property valuation. In addition, a replacement fire levy was passed in 2004.

**JEFFERSON TOWNSHIP  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

Table 2 reflects the changes in net assets on a modified cash basis in 2006 and 2005.

(Table 2)  
**Changes in Net Assets**

	Governmental Activities	
	2006	2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$571,077.40	\$512,942.36
Operating Grants and Contributions	191,916.87	120,882.49
Capital Grants and Contributions		1,285,000.00
Total Program Receipts	<u>762,994.27</u>	<u>1,918,824.85</u>
General Receipts:		
Property Taxes	2,613,915.96	2,424,609.99
Other Taxes	11,247.45	
Grants and Entitlements	579,895.71	551,303.03
Earnings on Investments	147,755.60	63,340.92
Miscellaneous	57,617.19	53,263.28
Total General Receipts	<u>3,410,431.91</u>	<u>3,092,517.22</u>
Total Receipts	<u>4,173,426.18</u>	<u>5,011,342.07</u>
Disbursements:		
General Government	917,411.86	786,898.70
Public Safety	1,775,363.98	1,629,283.32
Health	21,753.22	19,901.34
Conservation-Recreation	47,156.84	48,289.91
Public Works	488,958.17	443,174.80
Capital Outlay	36,355.84	1,455,206.79
Principal Retirement	156,498.38	158,769.94
Interest and Fiscal Charges	91,417.52	98,521.04
Other	55,742.84	18,693.00
Total Disbursements	<u>3,590,658.65</u>	<u>4,658,738.84</u>
Excess (Deficiency) Before Transfers	582,767.53	352,603.23
Transfers	<u>860.26</u>	<u>0.00</u>
Increase (Decrease) in Net Assets	583,627.79	352,603.23
Net Assets, January 1, 2006	<u>1,873,640.47</u>	<u>1,521,037.24</u>
Net Assets, December 31, 2006	<u><u>\$2,457,268.26</u></u>	<u><u>\$1,873,640.47</u></u>

**JEFFERSON TOWNSHIP  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

Program receipts represent 18 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits, Clean Ohio Grant (2005 only), and inspection fees and third party charges to insurers for emergency medical services.

General receipts represent 82 percent of the Township's total receipts, and of this amount, 77 percent are property and local taxes. State and federal grants and entitlements make up a significant portion of the Township's general receipts (17 percent). Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Board of Trustees, the Administrator and the Fiscal Officer, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to a small percentage of General Fund unrestricted receipts.

Public Safety is the cost of emergency medical services and fire protection. Conservation-Recreation is the costs of maintaining the parks. Public Works is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for Governmental activities are for public safety and public works, which account for 49 and 14 percent of all Governmental disbursements, respectively. General Government also represents a significant cost, about 26 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	<b>Governmental Activities</b>			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2006	2005	2006	2005
General Government	\$917,411.86	\$786,898.70	\$418,360.23	\$451,002.00
Security of Persons and Property	1,775,363.98	1,629,283.32	1,649,512.99	1,455,362.66
Public Health Services	21,753.22	19,901.34	18,553.22	15,776.34
Leisure Time Activities	47,156.84	48,289.91	47,156.84	48,289.91
Transportation	488,958.17	443,174.80	354,066.52	323,292.31
Capital Outlay	36,355.84	1,455,206.79	36,355.84	170,206.79
Principal Retirement	156,498.38	158,769.94	156,498.38	158,769.94
Interest and Fiscal Charges	91,417.52	98,521.04	91,417.52	98,521.04
Other	55,742.84	18,693.00	55,742.84	18,693.00
<b>Total Expenses</b>	<b>\$3,590,658.65</b>	<b>\$4,658,738.84</b>	<b>\$2,827,664.38</b>	<b>\$2,739,913.99</b>

**JEFFERSON TOWNSHIP  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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The dependence upon property tax receipts is apparent as over 79 percent of Governmental activities are supported through these general receipts.

**The Township's Funds**

Total Governmental funds had receipts of \$4,164,256.18 and disbursements of \$3,561,521.65. The greatest change within Governmental funds occurred within the Fire Fund. The Fire Fund balance increased \$358,705.47 primarily as the result of increased property tax receipts.

The General Fund had a net change in fund balance of \$108,989.88, indicating that the General Fund is operating at a surplus.

**Fire Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the Fire Fund.

During 2006, the Township amended its Fire Fund budget to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$2,565,617.24 while actual disbursements were \$2,123,856.30. The Township kept spending below budgeted amounts as demonstrated by the reported variances. The result is the increase in fund balance of \$358,705.47 for 2006.

**Capital Assets and Debt Administration**

**Capital Assets**

The Township tracks its capital assets and reports annually to the Franklin County Engineer. It does not currently specifically track its infrastructure.

**Debt**

At December 31, 2006, the Township's outstanding debt included \$1,605,000.00 in general obligation bonds issued for improvements to buildings and structures, and \$137,288.99 in capital leases for facilities and equipment. For further information regarding the Township's debt, refer to Notes 9 & 10 to the basic financial statements.

**Current Issues**

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Township relies heavily on property and local taxes and has little industry to support the tax base.

**Contacting the Township's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Ken Jones, Jefferson Township Fiscal Officer, 6545 Havens Road, Blacklick, Ohio 43004.

**JEFFERSON TOWNSHIP, FRANKLIN COUNTY**

*Statement of Net Assets - Modified Cash Basis*

*December 31, 2006*

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$2,457,268.26
<i>Total Assets</i>	<u><u>\$2,457,268.26</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$11,183.34
Debt Service	91,051.45
Other Purposes	1,480,400.52
Unrestricted	874,632.95
<i>Total Net Assets</i>	<u><u>\$2,457,268.26</u></u>

See accompanying notes to the basic financial statements

**JEFFERSON TOWNSHIP, FRANKLIN COUNTY**

*Statement of Activities - Modified Cash Basis*

*For the Year Ended December 31, 2006*

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts
		Charges for Services and Sales	Operating Grants and Contributions
			Governmental Activities
<b>Governmental Activities</b>			
General Government	\$917,411.86	\$442,026.41	\$57,025.22
Public Safety	1,775,363.98	125,850.99	0.00
Public Works	488,958.17	0.00	134,891.65
Health	21,753.22	3,200.00	0.00
Conservation-Recreation	47,156.84	0.00	0.00
Other	55,742.84	0.00	0.00
Capital Outlay	36,355.84	0.00	0.00
Debt Service:			
Principal	156,498.38	0.00	0.00
Interest	91,417.52	0.00	0.00
<i>Total Governmental Activities</i>	3,590,658.65	571,077.40	191,916.87
			(2,827,664.38)
<b>General Receipts</b>			
Property Taxes levied for:			
General			178,670.87
Fire			2,049,689.56
Other			385,555.53
Other Taxes			11,247.45
Grants and Entitlements not Restricted to Specific Programs			579,895.71
Earnings on Investments			147,755.60
Miscellaneous			57,617.19
<i>Total General Receipts</i>			3,410,431.91
Transfers			860.26
<i>Total General Receipts and Transfers</i>			3,411,292.17
Change in Net Assets			583,627.79
<i>Net Assets Beginning of Year</i>			1,873,640.47
<i>Net Assets End of Year</i>			\$2,457,268.26

See accompanying notes to the basic financial statements

**JEFFERSON TOWNSHIP, FRANKLIN COUNTY**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2006*

	GENERAL	FIRE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>Assets</b>				
Cash	\$874,632.95	\$1,196,784.00	\$385,851.31	\$2,457,268.26
<i>Total Assets</i>	<u>\$874,632.95</u>	<u>\$1,196,784.00</u>	<u>\$385,851.31</u>	<u>\$2,457,268.26</u>
<b>Fund Balances</b>				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$874,632.95	\$0.00	\$0.00	\$874,632.95
Special Revenue Funds	0.00	1,196,784.00	283,616.52	1,480,400.52
Debt Service Fund	0.00	0.00	91,051.45	91,051.45
Capital Projects Funds	0.00	0.00	11,183.34	11,183.34
<i>Total Fund Balances</i>	<u>\$874,632.95</u>	<u>\$1,196,784.00</u>	<u>\$385,851.31</u>	<u>\$2,457,268.26</u>

See accompanying notes to the basic financial statements

**JEFFERSON TOWNSHIP, FRANKLIN COUNTY**  
*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2006*

	GENERAL	FIRE	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>Receipts</b>				
Property and Other Local Taxes	\$178,670.87	\$2,049,689.56	\$385,555.53	\$2,613,915.96
Charges for Services	48,572.63	0.00	0.00	48,572.63
Licenses, Permits and Fees	317,370.58	125,850.99	76,083.20	519,304.77
Intergovernmental	281,627.59	278,805.37	211,379.62	771,812.58
Special Assessments	0.00	0.00	11,247.45	11,247.45
Earnings on Investments	146,693.05	0.00	1,062.55	147,755.60
Miscellaneous	10,208.86	28,215.85	13,222.48	51,647.19
<b>Total Receipts</b>	<b>983,143.58</b>	<b>2,482,561.77</b>	<b>698,550.83</b>	<b>4,164,256.18</b>
<b>Disbursements</b>				
Current:				
General Government	689,888.74	227,523.12	0.00	917,411.86
Public Safety	0.00	1,775,363.98	0.00	1,775,363.98
Public Works	15,301.98	0.00	473,656.19	488,958.17
Health	2,699.40	0.00	19,053.82	21,753.22
Conservation-Recreation	47,156.84	0.00	0.00	47,156.84
Other	0.00	0.00	26,605.84	26,605.84
Capital Outlay	0.00	35,205.88	1,149.96	36,355.84
Debt Service:				
Principal Retirement	0.00	81,668.87	74,829.51	156,498.38
Interest and Fiscal Charges	0.00	4,094.45	87,323.07	91,417.52
<b>Total Disbursements</b>	<b>755,046.96</b>	<b>2,123,856.30</b>	<b>682,618.39</b>	<b>3,561,521.65</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>228,096.62</b>	<b>358,705.47</b>	<b>15,932.44</b>	<b>602,734.53</b>
Other Financing Sources (Uses)				
Transfers In	860.26	0.00	100,000.00	100,860.26
Transfers Out	(100,000.00)	0.00	0.00	(100,000.00)
Other Financing Sources	9,170.00	0.00	0.00	9,170.00
Other Financing Uses	(29,137.00)	0.00	0.00	(29,137.00)
<b>Total Other Financing Sources (Uses)</b>	<b>(119,106.74)</b>	<b>0.00</b>	<b>100,000.00</b>	<b>(19,106.74)</b>
<b>Net Change in Fund Balances</b>	<b>108,989.88</b>	<b>358,705.47</b>	<b>115,932.44</b>	<b>583,627.79</b>
<b>Fund Balances Beginning of Year</b>	<b>765,643.07</b>	<b>838,078.53</b>	<b>269,918.87</b>	<b>1,873,640.47</b>
<b>Fund Balances End of Year</b>	<b>\$874,632.95</b>	<b>\$1,196,784.00</b>	<b>\$385,851.31</b>	<b>\$2,457,268.26</b>

See accompanying notes to the basic financial statements

**JEFFERSON TOWNSHIP, FRANKLIN COUNTY**

*Statement of Receipts, Disbursements and Changes*

*In Fund Balance - Budget and Actual -Budget Basis*

*General Fund*

*For the Year Ended December 31, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$182,987.31	\$178,670.87	\$178,670.87	\$0.00
Charges for Services	0.00	0.00	48,572.63	48,572.63
Licenses, Permits and Fees	260,000.00	259,785.00	317,370.58	57,585.58
Intergovernmental	172,692.33	245,367.28	281,627.59	36,260.31
Earnings on Investments	75,000.00	125,000.00	146,693.05	21,693.05
Miscellaneous	75,000.00	56,138.54	10,208.86	(45,929.68)
<i>Total receipts</i>	<u>765,679.64</u>	<u>864,961.69</u>	<u>983,143.58</u>	<u>118,181.89</u>
<b>Disbursements</b>				
Current:				
General Government	752,152.98	880,772.65	689,888.74	190,883.91
Public Works	15,302.00	15,302.00	15,301.98	0.02
Health	3,640.00	3,640.00	2,699.40	940.60
Conservation-Recreation	70,316.60	74,966.60	47,156.84	27,809.76
Capital Outlay	30,000.00	0.00	0.00	0.00
<i>Total Disbursements</i>	<u>871,411.58</u>	<u>974,681.25</u>	<u>755,046.96</u>	<u>219,634.29</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(105,731.94)</u>	<u>(109,719.56)</u>	<u>228,096.62</u>	<u>337,816.18</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	860.26	860.26	860.26	0.00
Transfers Out	(100,000.00)	(100,000.00)	(100,000.00)	0.00
Advances Out	0.00	(3,000.00)	0.00	3,000.00
Other Financing Sources	0.00	10,000.00	9,170.00	(830.00)
Other Financing Uses	(100,000.00)	(100,100.80)	(29,137.00)	70,963.80
<i>Total Other Financing Sources (Uses)</i>	<u>(199,139.74)</u>	<u>(192,240.54)</u>	<u>(119,106.74)</u>	<u>73,133.80</u>
<i>Net Change in Fund Balance</i>	<u>(304,871.68)</u>	<u>(301,960.10)</u>	<u>108,989.88</u>	<u>410,949.98</u>
<i>Fund Balance Beginning of Year</i>	<u>765,643.07</u>	<u>765,643.07</u>	<u>765,643.07</u>	<u>0.00</u>
<i>Fund Balance End of Year</i>	<u>\$460,771.39</u>	<u>\$463,682.97</u>	<u>\$874,632.95</u>	<u>\$410,949.98</u>

See accompanying notes to the basic financial statements

**JEFFERSON TOWNSHIP, FRANKLIN COUNTY***Statement of Receipts, Disbursements and Changes**In Fund Balance - Budget and Actual -Budget Basis**FireFund**For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$2,055,541.00	\$2,055,540.84	\$2,049,689.56	(\$5,851.28)
Licenses, Permits and Fees	180,000.00	179,971.81	125,850.99	(54,120.82)
Intergovernmental	241,386.24	241,386.24	278,805.37	37,419.13
Miscellaneous	5,000.00	5,000.00	28,215.85	23,215.85
<i>Total receipts</i>	<u>2,481,927.24</u>	<u>2,481,898.89</u>	<u>2,482,561.77</u>	<u>662.88</u>
<b>Disbursements</b>				
Current:				
General Government	243,696.88	253,548.43	227,523.12	26,025.31
Public Safety	2,072,775.89	2,133,468.81	1,775,363.98	358,104.83
Capital Outlay	23,907.20	92,500.00	35,205.88	57,294.12
Debt Service:				
Principal Retirement	82,000.00	82,000.00	81,668.87	331.13
Interest and Fiscal Charges	4,100.00	4,100.00	4,094.45	5.55
<i>Total Disbursements</i>	<u>2,426,479.97</u>	<u>2,565,617.24</u>	<u>2,123,856.30</u>	<u>441,760.94</u>
<i>Net Change in Fund Balance</i>	55,447.27	(83,718.35)	358,705.47	442,423.82
<i>Fund Balance Beginning of Year</i>	838,078.53	838,078.53	838,078.53	0.00
<i>Fund Balance End of Year</i>	<u>\$893,525.80</u>	<u>\$754,360.18</u>	<u>\$1,196,784.00</u>	<u>\$442,423.82</u>

See accompanying notes to the basic financial statements

**JEFFERSON TOWNSHIP, FRANKLIN COUNTY**  
*Statement of Fiduciary Assets and Liabilities - Modified Cash Basis*  
*Fiduciary Funds*  
*December 31, 2006*

	<u>Agency</u>
<b>Assets</b>	
Cash	\$402,324.81
<i>Total Assets</i>	<u><u>\$402,324.81</u></u>
<b>Liabilities</b>	
Due to Others	402,324.81
<i>Total Liabilities</i>	<u><u>\$402,324.81</u></u>

See accompanying notes to the basic financial statements

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**JEFFERSON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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**Note 1 – Reporting Entity**

Jefferson Township, Franklin, Ohio (the Township), is a body politic and corporate established in 1816 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 also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, fire protection and emergency medical services, maintenance of Township roads and bridges, and cemetery maintenance.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township has no component units.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Township does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Township's accounting policies.

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**JEFFERSON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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**Note 2 – Summary of Significant Accounting Policies (continued)**

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” receipts and disbursements. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into two categories, governmental and fiduciary.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's only major governmental funds are the General Fund and the Fire Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

**JEFFERSON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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**Note 2 – Summary of Significant Accounting Policies (continued)**

Fiduciary Funds

The Township's only fiduciary fund is its Agency Fund. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's Agency Fund accounts for maintenance and construction bonds for real estate development and construction of multi and single family homes.

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

JEFFERSON TOWNSHIP  
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies (continued)**

E. Cash and Investments (continued)

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. 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 negative receipts, respectively.

During 2006, the Township invested in U.S. Treasury Notes, and a money market mutual fund.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 were \$146,693.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township held no restricted assets during 2006.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's modified cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**JEFFERSON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**L. Long-Term Obligations**

The Township's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Lease payments are reported when paid.

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The township held no restricted net assets during 2006.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. The Township had no reserves at December 31, 2006.

**O. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and the Fire Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the modified cash basis are outstanding year end encumbrances which are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis)). There were no outstanding encumbrances or advances at year end.

**Note 4 – Deposits and Investments**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**JEFFERSON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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**Note 4 – Deposits and Investments (continued)**

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Township by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**JEFFERSON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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**Note 4 – Deposits and Investments (continued)**

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,852,473 of the Township's bank balance of \$2,952,473 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Note 5 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$9.28 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

**JEFFERSON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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**Note 5 – Property Taxes (continued)**

Real Property	
Residential	\$345,464,100
Agricultural	3,414,720
Commercial/Industrial/Mineral	23,534,150
Tangible Personal Property	
Business	14,476,067
Public Utility	10,291,690
Total Assessed Value	<u>\$397,180,727</u>

**Note 6– Risk Management**

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 townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

**Casualty Coverage**

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

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

**Property Coverage**

Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers 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, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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.

**JEFFERSON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**Note 6– Risk Management (continued)**

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

**Financial Position**

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

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

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township’s share of these unpaid claims collectible in future years is approximately \$80,000. 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><u>Contributions to OTARMA</u></b>	
2004	\$33,654
2005	\$35,063
2006	\$39,797

**JEFFERSON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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**Note 7– Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System**

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The Township's contribution rate for pension benefits for 2006 was 9.2 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 12.43 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$73,698, \$61,880, and \$59,674, respectively. The full amounts have been contributed for 2006, 2005 and 2004. Contributions to the member-directed plan for 2006 were \$5,198 made by the Township and \$3,415 made by the plan members.

**B. Ohio Police and Fire Pension Fund**

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Township is required to contribute 24 percent for firefighters. Contributions are authorized by State statute. The Township's contributions to the Fund for firefighters were \$188,352, \$177,429 and \$157,639, for the years ended December 31, 2006, 2005 and 2004, respectively. The full amounts have been contributed for 2006, 2005 and 2004.

**JEFFERSON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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**Note 8- Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$36,048. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

**JEFFERSON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**Note 8- Postemployment Benefits (continued)**

The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Township's actual contributions for 2006 that were used to fund postemployment benefits were \$60,838 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005, (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

**Note 9 – Debt**

The Township's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance December 31, 2005	Additions	Reduction s	Balance December 31, 2006	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
Fire Station and Equipment Series A (\$950,000)	Various	\$825,000	\$-0-	\$25,000	\$800,000	\$30,000
Fire Station and Equipment Series B (\$950,000)	Various	830,000	-0-	25,000	805,000	30,000
Equipment Bonds – Dump Truck	5.25%	6,051	-0-	6,051	0	0
<b>Total</b>		<b>\$1,661,051</b>	<b>\$-0-</b>	<b>\$56,051</b>	<b>\$1,605,000</b>	<b>\$60,000</b>

The general obligation bonds are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The following is a summary of the Township's future annual debt service requirements:

Year	G.O. Bonds	
	Principal	Interest
2007	\$60,000	\$80,475
2008	60,000	77,310
2009	70,000	74,385
2010	80,000	70,955
2011	80,000	67,015
2012-2016	515,000	267,615
2017-2021	740,000	116,278
<b>Totals</b>	<b>\$1,605,000</b>	<b>\$754,033</b>

**JEFFERSON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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**Note 9 – Debt (continued)**

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2006, were an overall debt margin of \$40,098,976 and an unvoted debt margin of \$20,239,940.

**Note 10 – Leases**

The Township leases vehicles under noncancelable leases. The Township disbursed \$108,146.90 to pay lease costs for the year ended December 31, 2006, \$100,447.38 of which was for principal. Future lease payments, including interest, are as follows:

Year	Amount
2007	\$92,524.23
2008	22,381.88
2009	22,381.88
Total	<u>\$137,287.99</u>

**Note 11 – Interfund Transfers**

During 2006 the following transfers were made:

Transfer from the General Fund to Other Governmental Funds	\$100,000.00
Transfer from the Fiduciary Fund to the General Fund	\$860.26

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfer from the General Fund to the Road and Bridge Fund was for repair and maintenance of the Township roads.

The transfer from the Fiduciary Agency Fund to the General Fund was for monies that had been unclaimed for five years.

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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  
Franklin County  
6545 Havens Road  
Blacklick, Ohio 43004

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Township, Franklin County, (the Township) as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 8, 2007, wherein we noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Accounting 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 opinions 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

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We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

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, we believe the significant deficiency described in finding number 2006-001 is also a material weakness.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated August 8, 2007.

#### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated August 8, 2007.

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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



**Mary Taylor, CPA**  
Auditor of State

August 8, 2007

JEFFERSON TOWNSHIP  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006

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

FINDING NUMBER 2006-001

**Significant Deficiency/Material Weakness**

**Entering Financial Data into the Accounting System**

The Township should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements.

The Fiscal Officer did not always accurately post receipts or approved budget totals to the Township's accounting system and did not properly classify all receipts as program or general for presentation on the Statement of Activities. The following posting errors were noted:

- Charges for Services receipts of \$48,573 were misposted as Miscellaneous receipts in 2006.
- There were misclassifications between program revenues and general revenues on the Statement of Activities in both 2005 and 2006.

In addition to the above, the following differences were noted between the amended certificates and the accounting system for the funds required to present budgetary activity:

<u>Fund</u>	<u>Amount on Amended Certificate</u>	<u>Amount posted in UAN System</u>	<u>Variance</u>
General Fund – Original	\$760,404	\$766,540	(\$6,136)
General Fund – Final	876,037	875,822	215
Fire Fund – Original**	2,481,927	2,623,417	(141,490)

Not properly posting financial information accurately to the ledgers resulted in the financial statements requiring audit reclassification and adjusting entries.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of all financial activity. Cash receipts posting and program revenue determinations should be made in accordance with procedures and posting guidelines established by the Uniform Accounting Network. The Fiscal Officer should ensure budget amounts entered in the accounting system match amounts approved by the Board of Trustees and/or Budget Commission. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of financial data throughout the year. We also recommend the Board of Trustees more closely monitor financial information posting to help detect any posting errors or inaccuracies.

The Township's financial statements have been adjusted to accurately reflect the proper receipt line item classifications, program revenues, and estimated receipts.

*Officials Response:* We concur and will address this issue.

JEFFERSON TOWNSHIP  
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 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	Clean Ohio Grant Posting	Yes	
2005-002	Entering financial information in accounting system	No	Repeated as 2006-001



**Mary Taylor, CPA**  
Auditor of State

**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  
SEPTEMBER 11, 2007**