

**JEFFERSON TOWNSHIP  
NOBLE COUNTY, OHIO**

*Financial Statements  
(Audited)*

For The Years Ended  
December 31, 2006 and 2005

**REBECCA MASSEY, CLERK**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Jefferson Township  
38295 TR 282  
Dexter City, Ohio 45727

We have reviewed the *Independent Auditor's Report* of Jefferson Township, Noble County, prepared by Julian & Grube, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Jefferson Township is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

July 13, 2007

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**JEFFERSON TOWNSHIP  
NOBLE COUNTY, OHIO**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Independent Auditor's Report**

Jefferson Township  
Noble County  
37890 TR 282  
Dexter City, Ohio 45727

We have audited the accompanying financial statements of Jefferson Township, Noble County, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of Jefferson 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 2, Jefferson 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 Jefferson Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and December 31, 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While Jefferson 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. Jefferson Township has elected not to reformat its statements. Since Jefferson 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Jefferson Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of Jefferson Township, Noble County, as of the years ended December 31, 2006 and 2005, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires Jefferson Township to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. Jefferson 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 June 25, 2007, on our consideration of Jefferson 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
June 25, 2007



**JEFFERSON TOWNSHIP  
NOBLE COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 2006 AND 2005

<u>Cash and Cash Equivalents</u>	<u>2006</u>	<u>2005</u>
Cash and Cash Equivalents	\$ 59,852	\$ 34,019
Total Cash and Cash Equivalents	<u>\$ 59,852</u>	<u>\$ 34,019</u>
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 4,760	\$ 5,195
Special Revenue Funds	<u>55,092</u>	<u>28,824</u>
Total Governmental Fund Types	<u>59,852</u>	<u>34,019</u>
 Total Cash Fund Balances	 <u>\$ 59,852</u>	 <u>\$ 34,019</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**JEFFERSON TOWNSHIP  
NOBLE COUNTY, OHIO**

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

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash receipts:			
Local taxes	\$ 2,848	\$ 39,718	\$ 42,566
Intergovernmental	7,371	103,364	110,735
Miscellaneous	-	556	556
Total cash receipts	<u>10,219</u>	<u>143,638</u>	<u>153,857</u>
Cash disbursements:			
Current:			
General government	10,089	-	10,089
Public safety	565	-	565
Public works	-	82,810	82,810
Health	-	200	200
Other	-	27,088	27,088
Debt service:			
Principal retirement	-	6,123	6,123
Interest and fiscal charges	-	1,149	1,149
Total cash disbursements	<u>10,654</u>	<u>117,370</u>	<u>128,024</u>
Total cash receipts over/(under) cash disbursements	<u>(435)</u>	<u>26,268</u>	<u>25,833</u>
Cash fund balances, January 1, 2006	<u>5,195</u>	<u>28,824</u>	<u>34,019</u>
Cash fund balances, December 31, 2006	<u>\$ 4,760</u>	<u>\$ 55,092</u>	<u>\$ 59,852</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**JEFFERSON TOWNSHIP  
NOBLE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2006

Fund Types	Receipts					Disbursements					Variance Favorable (Unfavorable)	
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2006 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2006 Appropriations	Total	Actual 2006 Disbursements	Encumbrances Outstanding at 12/31/06		Total
Governmental:												
General	\$ 1,596	\$ 9,238	\$ 10,834	\$ 10,219	\$ 981	\$ 555	\$ 10,833	\$ 11,388	\$ 10,654	\$ 855	\$ 11,509	\$ (121)
Special Revenue	32,985	95,408	128,393	143,638	48,230	938	128,392	129,330	117,370	2,233	119,603	9,727
Total (Memorandum Only)	\$ 34,581	\$ 104,646	\$ 139,227	\$ 153,857	\$ 49,211	\$ 1,493	\$ 139,225	\$ 140,718	\$ 128,024	\$ 3,088	\$ 131,112	\$ 9,606

**JEFFERSON TOWNSHIP  
NOBLE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 2,772	\$ 5,394	\$ 8,166
Intergovernmental	6,100	96,882	102,982
Miscellaneous	-	2,624	2,624
Total cash receipts	<u>8,872</u>	<u>104,900</u>	<u>113,772</u>
Cash disbursements:			
Current:			
General government	10,232	-	10,232
Public works	-	157,004	157,004
Capital outlay	-	22,957	22,957
Total cash disbursements	<u>10,232</u>	<u>179,961</u>	<u>190,193</u>
Total cash receipts over/(under) cash disbursements	<u>(1,360)</u>	<u>(75,061)</u>	<u>(76,421)</u>
Other financing receipts:			
Proceeds from sale of notes	-	30,617	30,617
Total other financing receipts	<u>-</u>	<u>30,617</u>	<u>30,617</u>
Excess of cash receipts over/(under) cash disbursements and other financing receipts	(1,360)	(44,444)	(45,804)
Cash fund balances, January 1, 2005	<u>6,555</u>	<u>73,268</u>	<u>79,823</u>
Cash fund balances, December 31, 2005	<u>\$ 5,195</u>	<u>\$ 28,824</u>	<u>\$ 34,019</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**JEFFERSON TOWNSHIP  
NOBLE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2005

Fund Types	Receipts				Disbursements					Variance Favorable (Unfavorable)	
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2005 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2005 Appropriations	Total	Actual 2005 Disbursements		Encumbrances Outstanding at 12/31/05
Governmental:											
General	\$ 1,022	\$ 9,000	\$ 10,022	\$ 8,872	\$ (128)	\$ 555	\$ 10,022	\$ 10,577	\$ 10,232	\$ 555	\$ (210)
Special Revenue	74,976	86,140	161,116	135,517	49,377	938	151,557	152,495	179,961	938	(28,404)
Total (Memorandum Only)	\$ 75,998	\$ 95,140	\$ 171,138	\$ 144,389	\$ 49,249	\$ 1,493	\$ 161,579	\$ 163,072	\$ 190,193	\$ 1,493	\$ (28,614)

**JEFFERSON TOWNSHIP  
NOBLE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 1 - DESCRIPTION OF THE ENTITY**

Jefferson Township, Noble County, Ohio, (the "Township") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides Road and bridge maintenance (public works), cemetery maintenance (health), and fire protection. The Township contracts with the Salem Township and Caldwell Volunteer Fire Department to provide fire services.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The most significant of the Township's accounting policies are described below.

**A. BASIS OF PRESENTATION - FUND ACCOUNTING**

The accounts of the Township are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Township:

General Fund - The general fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund Type - These funds are used to account for proceeds of specific revenue sources (other than from trusts or for capital projects) that are legally restricted to expenditure for specific purposes.

The Township had the following significant special revenue fund:

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

**B. BASIS OF ACCOUNTING**

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

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

**JEFFERSON TOWNSHIP  
NOBLE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. BUDGETARY PROCESS**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The primary level of budgetary control is at the item level within a department and fund. Any budgetary modifications at this level may only be made by resolution of the Township's Board of Trustees. The Township had no budget modifications throughout the years ended December 31, 2006 and 2005.

*Tax Budget* - A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except certain agency funds, are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

*Estimated Resources* - The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Township by September 1. As part of this certification, the Township receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Township determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Township must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

*Appropriations* - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the legal 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.

*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 re-appropriated. The Township had outstanding encumbrances at December 31, 2006 and 2005.

**D. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

For reporting purposes, the Township considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Township with a maturity date less than or equal to three months from the date of purchase. There was no interest income earned and received by the Township for the years ended December 31, 2006 and 2005.

**JEFFERSON TOWNSHIP  
NOBLE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. PROPERTY, PLANT AND EQUIPMENT**

Capital assets are not capitalized in any of the Township's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded by the Township.

**F. UNPAID VACATION AND SICK LEAVE**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

**G. INTERGOVERNMENTAL REVENUES**

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Township's cash basis method of accounting.

**H. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

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

	2006	2005
Deposits: Demand deposits	\$ 59,852	\$ 34,019

*Deposits:* Deposits are insured by the Federal Depository Insurance Corporation.

**NOTE 4 - COMPLIANCE**

*i.* The following funds had disbursements in excess of appropriations for the years ended December 31, 2006 and 2005, in noncompliance with Ohio Revised Code Section 5705.41 (B):

Fund Type/Fund	2006	2005
General fund	\$ 121	\$ 210
<u>Special Revenue Fund</u>		
Gasoline Tax	-	31,944

Disclosure is presented at the fund level due to the impracticality of determining item level amounts.

*ii.* The Township did not certify expenditures timely for the years ended December 31, 2006 and 2005 in noncompliance with Ohio Revised Code Section 5705.41(D).



**JEFFERSON TOWNSHIP  
NOBLE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 5 - PROPERTY TAX**

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

**NOTE 6 - DEBT OBLIGATION**

At December 31, 2006 and 2005, the Township debt obligations consisted of the following issuance:

<u>Description</u>	<u>Balance at December 31, 2006</u>
2005 Truck note, due in annual payments of varying amounts through 2010 at a rate of 3.8%.	<u>\$ 24,494</u>

Transactions for the years ended December 31, 2006 and 2005, are summarized as follows:

<u>Description</u>	<u>Balance 12/31/2005</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at 12/31/2006</u>
2005 Truck Note	<u>\$ 30,617</u>	<u>\$ -</u>	<u>\$ (6,123)</u>	<u>\$ 24,494</u>

<u>Description</u>	<u>Balance 12/31/2004</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at 12/31/2005</u>
2005 Truck Note	<u>\$ -</u>	<u>\$ 30,617</u>	<u>\$ -</u>	<u>\$ 30,617</u>

**JEFFERSON TOWNSHIP  
NOBLE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 6 - DEBT OBLIGATION – (Continued)**

The principal and interest requirements to retire the debt obligation outstanding at December 31, 2006, are as follows:

Year Ending December 31,	<u>2005 Truck Note</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 6,123	\$ 919
2008	6,123	689
2009	6,123	459
2010	<u>6,125</u>	<u>230</u>
Total	<u>\$ 24,494</u>	<u>\$ 2,297</u>

**NOTE 7 - RETIREMENT SYSTEM**

The Township’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, members of OPERS participants contributed 9.0% and 8.5% of their wages, respectively. The Township contributed an amount equal to 13.70% and 13.55% of their wages to OPERS, respectively. The Township has paid all contributions required through December 31, 2006 and 2005.

**NOTE 8 - 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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, 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.

**JEFFERSON TOWNSHIP  
NOBLE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 8 - RISK MANAGEMENT - (Continued)**

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

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. 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.

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	<u>(11,443,952)</u>	<u>(12,344,576)</u>
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	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

**JEFFERSON TOWNSHIP  
NOBLE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 8 - RISK MANAGEMENT - (Continued)**

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 \$5,900. 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.

**Contributions to OTARMA**

2004	\$	2,590
2005		2,991
2006		2,993

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

**NOTE 9 - CONTINGENT LIABILITIES**

The Township is not currently involved in litigation.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Jefferson Township  
Noble County  
37890 TR 282  
Dexter City, Ohio 45727

We have audited the financial statements of Jefferson Township as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 25, 2007, wherein we noted Jefferson Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 Jefferson Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Jefferson Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Jefferson Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, 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 Jefferson 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 a misstatement of the Jefferson Township's financial statements that is more than inconsequential will not be prevented or detected by the Jefferson Township's internal control. We consider 2006-JT-003 through 2006-JT-006 deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

Board of Trustees  
Jefferson Township

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Jefferson Township's internal control.

Our consideration of 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 internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However of the significant deficiencies described above, we consider items 2006-JT-003 through 2006-JT-006 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance whether Jefferson Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2006-JT-001 and 2006-JT-002.

We noted certain matters that we reported to the management of Jefferson Township in a separate letter dated June 25, 2007.

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

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



Julian & Grube, Inc.  
June 25, 2007

**JEFFERSON TOWNSHIP  
NOBLE COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2006-JT-001

Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

The Township had disbursements in excess of appropriations in the following funds:

<u>Fund Type/Fund</u>	<u>2006</u>	<u>2005</u>
General fund	\$ 121	\$ 210
<u>Special Revenue Fund</u>		
Gasoline Tax	-	31,944

Disclosure is presented at the fund level due to the impracticality of determining item level amounts.

With disbursements exceeding appropriations, the Township is spending monies that have not lawfully been appropriated by Township Trustees. This may result in unnecessary spending.

We recommend that the Township comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring their expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: The Township Trustees will attempt to pass permanent appropriations in a timely manner in accordance with the Ohio Revised Code.

Finding Number	2006-JT-002
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Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit that the Township Clerk/Treasurer issued Clerk Certificates; however, disbursements were dated prior to the certificate, for the years ended December 31, 2006 and 2005.

Without timely certification, the Township may expend more funds than available in the treasury, or in the process of collection or than funds appropriated by the Township Trustees, which could potentially lead to negative fund balances. In addition, the Township may make unnecessary purchases.

We recommend that the Township Clerk/Treasurer timely certify its disbursements, to lessen the risk that monies expended are not lawfully appropriated and available in the treasury or in the process of collection. The Township should issue approved purchase orders and consider using blanket and super blanket purchase orders and/or "Then" and "Now" certificates where applicable.

**JEFFERSON TOWNSHIP  
NOBLE COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-JT-002 - (Continued)

*Client Response:* The Clerk/Treasurer will attempt to certify Clerk Certificates in a more timely manner based on approved permanent appropriations.

Finding Number	2006-JT-003
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Based upon the results of observations made during our audit, we noted the Township has a serious lack of control and direction regarding the accounting system and overall fiscal management.

In general, an accounting and information system should be designed to provide management with accurate and timely financial information to enable well-informed business decisions to be made.

The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We strongly suggest that the Township seriously consider creating an accounting and information environment that will facilitate the production of accurate financial information and related preparation of financial statements and provide for accountability of assets and the maintenance of an accurate historical record of operations. Accounting and financial information is the language of business and must be properly assessed and comprehended to allow for management to guide and direct the Township in the future. This may require and be achieved by additional training for the Clerk/Treasurer.

*Client Response:* The Township Trustees will attempt to require financial data to be submitted for approval and review in a timely manner.

Finding Number	2006-JT-004
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It was noted during the audit that the bank statement and fund balances were not reconciled on a monthly basis to zero or to an easily identifiable difference.

It is important to properly reconcile bank statements monthly to easily identify discrepancies in cash and the Township records and to ensure all amounts are properly recorded.

Once the reconciliations were performed in 2007, the 2006 differences totaled \$9,386 and the 2005 differences totaled \$930. In addition to these overall differences, there were 11 and 12 individual transaction discrepancies not identified until the audit was performed for the years ended December 31, 2006 and 2005.

We recommend that the bank account be reconciled monthly to the Township UAN system and that all reconciling items be promptly investigated and adjusted, if necessary with adequate explanations and approval by the Trustees. We further recommend that the Township review and sign off on all monthly bank reconciliations and supporting documentation timely. This will help ensure proper accounting balances. We further recommend the Township consider obtaining a periodic review of transactions recorded and bank reconciliations prior to year end close by a responsible fiscal person. This will help ensure any discrepancies found can be corrected and thus help facilitate more accurate financial reporting.

*Client Response:* The Township Trustees will attempt to review the monthly bank reconciliations in a timely manner.



**JEFFERSON TOWNSHIP  
NOBLE COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-JT-005

Ohio Revised Code Section 5705.10 states that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made. In addition, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

It was noted during the audit that gasoline tax was improperly recorded in the general fund instead of the required gasoline tax fund in the amount of \$2,806. The audited financial statements and Township fund balances have been adjusted to properly record the amounts in the Gas tax fund.

We recommend the Township Clerk take extra caution to ensure receipts are properly recorded in the fund required by the Ohio Revised Code. We also recommend the Township Trustees take an active role in reviewing the Clerk's postings for accuracy. We recommend the Township Clerk consider additional training and to refer to the Ohio Township Handbook and UAN manuals to help in properly posting receipts.

*Client Response:* The Township Clerk and Trustees will take a more active role to ensure proper receipt posting.

Finding Number	2006-JT-006
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It was noted during the audit that the Township did not consistently post revenue and expenditure transactions to the proper fund and/or line account within their accounting system.

As a result, revenue and expenditure transactions in various funds were incorrectly reported. This further caused numerous audit adjustments.

We recommend the Clerk use due care in posting amounts to the Township ledgers and consult the UAN Accounting Manual for Townships, Appendix A, Chart of Accounts, for proper classification of revenues and expenditures.

*Client Response:* The Township will take a more active role in preparing and reviewing its records for proper transaction recording.

**JEFFERSON TOWNSHIP  
NOBLE COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected ?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2004-JT-001	Ohio Rev. Code 5705.41 (B) requires no subdivision or taxing authority to expend money unless it has been appropriated.	No	Finding repeated as 2006-JT-001.
2004-JT-002	Ohio Rev. Code 5705.41 (D) states that no subdivision or taxing unit shall make any contact or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Finding repeated as 2006-JT-002.
2004-JT-003	The Township had a serious lack of control and direction regarding the accounting system and overall fiscal management.	No	Finding repeated as 2006-JT-003.
2004-JT-004	Bank statements and fund balances were not reconciled monthly to zero or to easily identifiable differences.	No	Finding repeated as 2006-JT-004.



**Mary Taylor, CPA**  
Auditor of State

**JEFFERSON TOWNSHIP**

**NOBLE 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  
JULY 26, 2007**