



Mary Taylor, CPA
Auditor of State

**JEFFERSON TOWNSHIP
GREENE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Jefferson Township
Greene County
3188 Maysville Street
P.O. Box 116
Bowersville, Ohio 45307

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, Greene County, (the Township), as of and for the years ended December 31, 2006 and 2005, 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 § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Township, Greene County, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Cemetery and Fire District funds thereof for the years then ended; Road and Bridge fund for 2006; Motor Vehicle License Tax and Fire Act Grant funds for 2005 only, in conformity with the basis of accounting Note 1 describes.

For the years ended December 31, 2006 and 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2008, 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 the Governmental Accounting Standards Board 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 30, 2008

**JEFFERSON TOWNSHIP
GREENE COUNTY**

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

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 cash basis 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 governmental activities increased \$12,516, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Gasoline Tax fund, as income from the gasoline excise tax increased and a significant amount of money was not spent on road improvements or repairs in 2006.
- The Township's general receipts are primarily property and other local taxes and intergovernmental revenue. These receipts represent \$118,468 or 44% of the total cash received for governmental activities during the year. Property taxes and intergovernmental receipts for 2006 decreased significantly compared to 2005, due to a one time \$66,600 grant received during 2005.
- There were not many changes in expenditures in 2006. Health care costs continue to increase and the Township did not receive estate taxes for the last two years resulting in the General Fund balance taking a major hit.
- The Township had only \$14,948 in road improvements during 2006. The contract with Caesarscreek Township to provide fire protection for their residents expired in 2006 and was not renewed. Therefore, the Township will be losing \$8,000 for fire contracts in 2007. The Township began EMS soft billing in 2006 which is estimated to bring in about \$15,000 per year in soft billing fees.
- The Township has no debt.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's 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 government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

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

Basis of Accounting

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

As a result of using the 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.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how Jefferson Township did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. 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 draws from the Township's general receipts.

These statements report Jefferson Township's cash position and the changes in cash position. Keeping in mind the limitations of the 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 non-financial factors as well as the Township's property tax base, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

Governmental activities - All of the Township's basic services are reported here, including fire and streets. State grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

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

Reporting Jefferson 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 a township can be classified in one category: governmental.

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 non-major 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, Gasoline Tax Fund, Road and Bridge Fund, Cemetery Fund, and the Fire District Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Government as a Whole

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

(Table 1)
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	\$148,700	\$136,184
Total Assets	<u>148,700</u>	<u>136,184</u>
Net Assets		
Restricted for:		
Permanent Fund:		
Expendable	786	672
Nonexpendable	2,620	2,620
Other Purposes	138,968	109,508
Unrestricted	6,326	23,384
Total Net Assets	<u>\$148,700</u>	<u>\$136,184</u>

As mentioned previously, net assets of governmental activities increased \$12,516 or 9.19 percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- As stated previously, very little money was spent on road improvements in 2006. Gasoline excise tax money continues to increase and interest rates have continued to increase, therefore, interest income has increased.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

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

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

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

	Governmental Activities	
	2006	2005
Receipts:		
Program Receipts:		
Operating Grants and Contributions	\$115,221	\$168,475
Charges for Services	37,304	39,486
Total Program Receipts	<u>152,525</u>	<u>207,961</u>
General Receipts:		
Property and Other Local Taxes	94,670	96,543
Grants and Entitlements Not Restricted to Specific Programs	14,524	15,431
Interest	5,806	4,910
Miscellaneous	3,468	
Total General Receipts	<u>118,468</u>	<u>116,884</u>
Total Receipts	<u>270,993</u>	<u>324,845</u>
Disbursements:		
General Government	63,465	75,717
Security of Persons and Property	61,061	52,767
Public Work	101,666	112,872
Health	17,776	10,941
Capital Outlay	14,509	100,650
Total Disbursements	<u>258,477</u>	<u>352,947</u>
Increase (Decrease) in Net Assets	<u>12,516</u>	<u>(28,102)</u>
Net Assets, January 1	<u>136,184</u>	<u>164,286</u>
Net Assets, December 31	<u><u>\$148,700</u></u>	<u><u>\$136,184</u></u>

Program receipts represent 56 percent of total receipts— 76 percent of which is Operating Grants and Contributions. The remaining 24 percent is primarily comprised of Charges for Services such as receipts from the Township mandated motor vehicle license tax, ambulance runs and provision of fire and snow plowing services to nearby villages and townships.

General receipts represent 44 percent of the Township's total receipts. Property taxes represent 80 percent of general receipts and 35 percent of total receipts. State grants and entitlements make up 12 percent of the Township's general receipts. Other receipts include interest and miscellaneous and are insignificant and somewhat unpredictable revenue sources.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

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

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 auditor and treasurer 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 percent of General Fund unrestricted receipts.

Security of Persons and Property are the costs of police and fire protection; Public Health Services is primarily cemetery activities. Public Works is the cost associated with the upkeep of township 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. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for services and grants received by the Township that must be used to provide a specific service. The Net (Disbursements) Receipts columns compare 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 below.

(Table 3)

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$63,465	(\$57,869)	\$75,717	(\$70,192)
Public Safety	61,061	(45,681)	52,767	27,179
Public Works	101,666	10,706	112,872	(13,452)
Health	17,776	1,401	10,941	12,129
Capital Outlay	14,509	(14,509)	100,650	(100,650)
Total Expenses	\$258,477	(\$105,952)	\$352,947	(\$144,986)

The dependence upon property tax receipts is apparent as over 40 percent of governmental activities are supported through these general receipts.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

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

The Township's Funds

Total governmental funds had receipts of \$270,993 and disbursements of \$258,477. A large change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$17,058 as the result of increased costs for salaries and benefits and not achieving anticipated growth in property taxes.

General Fund receipts were less than disbursements by \$17,058 indicating that the General Fund is in a deficit spending situation. It has been recommendation by the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. Some of these reductions have already been implemented for 2007 including farming out trustees health care and salaries to other funds. These cuts will not eliminate the need for additional funds (or additional cuts) in the future growth in property taxes remains stagnant.

General 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 General Fund.

During 2006, the Township amended its General Fund budget to account for anticipated increase in property tax receipts. Final budgeted receipts were over original budgeted receipts due to some growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

Original and final disbursements were budgeted at \$69,484. Although receipts were slightly higher than expectations, appropriations were not increased. The Township kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

Capital Assets and Debt Administration

Jefferson Township does not report Capital Assets and has no debt.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of Jefferson Township. All departments have been asked to reduce their spending for supplies.

Contacting the Government'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 Linda Flieman, Fiscal Officer, Jefferson Township, 3188 Maysville Street, Bowersville, Ohio 45307.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$148,700
Total Assets	<u>148,700</u>
Net Assets	
Restricted for:	
Permanent Fund: For Upkeep of Graves	
Expendable	786
Non-expendable	2,620
Other Purposes	138,968
Unrestricted	6,326
Total Net Assets	<u>\$148,700</u>

See accompanying notes to the basic financial statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes In Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$63,465	\$2,525	\$3,071	(\$57,869)
Public Safety	61,061	9,102	6,278	(45,681)
Public Works	101,666	11,044	101,328	10,706
Health	17,776	14,633	4,544	1,401
Capital Outlay	14,509			(14,509)
Total Governmental Activities	258,477	37,304	115,221	(105,952)
General Receipts				
Property Taxes				94,670
Grants and Entitlements not Restricted to Specific Programs				14,524
Earnings on Investments				5,806
Miscellaneous				3,468
Total General Receipts				118,468
Change in Net Assets				12,516
Net Assets Beginning of Year				136,184
Net Assets End of Year				\$148,700

See accompanying notes to the basic financial statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	<u>General</u>	<u>Gas Tax</u>	<u>Road and Bridge</u>	<u>Cemetery</u>	<u>Fire District</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
Assets							
Equity in Pooled Cash and Cash Equivalents	\$6,326	\$46,384	\$18,857	\$25,581	\$25,762	\$25,790	\$148,700
Total Assets	<u>6,326</u>	<u>46,385</u>	<u>18,857</u>	<u>25,581</u>	<u>25,762</u>	<u>25,790</u>	<u>148,700</u>
Fund Balances							
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	6,326						6,326
Special Revenue Funds		46,384	18,857	25,581	25,762	22,384	138,968
Permanent Fund						3,406	3,406
Total Fund Balances	<u>\$6,326</u>	<u>\$46,384</u>	<u>\$18,857</u>	<u>\$25,581</u>	<u>\$25,762</u>	<u>\$25,790</u>	<u>\$148,700</u>

See accompanying notes to the basic financial statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Gas Tax</u>	<u>Road and Bridge</u>	<u>Cemetery</u>	<u>Fire District</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receipts							
Property and Other Local Taxes	\$25,213		\$16,255		\$53,201	\$8,545	\$103,214
Charges for Services			2,500		4,500	4,602	11,602
Licenses, Permits and Fees	2,150			\$14,633			16,783
Intergovernmental	17,592	\$90,204	1,815		6,281	13,853	129,745
Earnings on Investments	3,326	1,583				897	5,806
Miscellaneous	443				3,400		3,843
Total Receipts	<u>48,724</u>	<u>91,787</u>	<u>20,570</u>	<u>14,633</u>	<u>67,382</u>	<u>27,897</u>	<u>270,993</u>
Disbursements							
Current:							
General Government	63,465						63,465
Public Safety					59,706	1,355	61,061
Public Works		74,603	6,815			20,248	101,666
Health	2,317			10,895		4,564	17,776
Capital Outlay				14,509			14,509
Total Disbursements	<u>65,782</u>	<u>74,603</u>	<u>6,815</u>	<u>25,404</u>	<u>59,706</u>	<u>26,167</u>	<u>258,477</u>
Net Change in Fund Balances	(17,058)	17,184	13,755	(10,771)	7,676	1,730	12,516
Fund Balances Beginning of Year	<u>23,384</u>	<u>29,200</u>	<u>5,102</u>	<u>36,352</u>	<u>18,086</u>	<u>24,060</u>	<u>136,184</u>
Fund Balances End of Year	<u>\$6,326</u>	<u>\$46,384</u>	<u>\$18,857</u>	<u>\$25,581</u>	<u>\$25,762</u>	<u>\$25,790</u>	<u>\$148,700</u>

See accompanying notes to the basic financial statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
GENERAL FUND
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>	<u>(Negative)</u>
Receipts				
Property and Other Local Taxes	\$23,400	\$24,600	\$25,213	\$613
Licenses, Permits and Fees	2,500	2,500	2,150	(350)
Intergovernmental	17,100	17,100	17,592	492
Earnings on Investments	3,000	3,615	3,326	(289)
Miscellaneous	100	100	443	343
Total receipts	<u>46,100</u>	<u>47,915</u>	<u>48,724</u>	<u>809</u>
Disbursements				
Current:				
General Government	69,484	67,167	63,465	3,702
Health		2,317	2,317	
Total Disbursements	<u>69,484</u>	<u>69,484</u>	<u>65,782</u>	<u>3,702</u>
Net Change in Fund Balance	(23,384)	(21,569)	(17,058)	4,511
Fund Balance Beginning of Year	<u>23,384</u>	<u>23,384</u>	<u>23,384</u>	
Fund Balance End of Year	<u>\$0</u>	<u>\$1,815</u>	<u>\$6,326</u>	<u>\$4,511</u>

See accompanying notes to the basic financial statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$78,000	\$78,000	\$90,204	\$12,204
Earnings on Investments	900	900	1,583	683
Total receipts	<u>78,900</u>	<u>78,900</u>	<u>91,787</u>	<u>12,887</u>
Disbursements				
Current:				
Public Works	108,100	108,100	74,603	33,497
Total Disbursements	<u>108,100</u>	<u>108,100</u>	<u>74,603</u>	<u>33,497</u>
Net Change in Fund Balance	(29,200)	(29,200)	17,184	46,384
Fund Balance Beginning of Year	<u>29,200</u>	<u>29,200</u>	<u>29,200</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$46,384</u></u>	<u><u>\$46,384</u></u>

See accompanying notes to the basic financial statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$15,300	\$16,280	\$16,255	(\$25)
Charges for Services	2,500	2,465	2,500	35
Intergovernmental	1,700	1,700	1,815	115
Total receipts	<u>19,500</u>	<u>20,445</u>	<u>20,570</u>	<u>125</u>
Disbursements				
Current:				
Public Works	13,875	13,875	6,815	7,060
Capital Outlay	<u>10,727</u>	<u>10,727</u>		<u>10,727</u>
Total Disbursements	<u>24,602</u>	<u>24,602</u>	<u>6,815</u>	<u>17,787</u>
Net Change in Fund Balance	(5,102)	(4,157)	13,755	17,912
Fund Balance Beginning of Year	<u>5,102</u>	<u>5,102</u>	<u>5,102</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$945</u></u>	<u><u>\$18,857</u></u>	<u><u>\$17,912</u></u>

See accompanying notes to the basic financial statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
CEMETERY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Licenses, Permits and Fees	\$14,000	\$14,000	\$14,633	\$633
Miscellaneous	4,000	4,000		(4,000)
Total receipts	<u>18,000</u>	<u>18,000</u>	<u>14,633</u>	<u>(3,367)</u>
Disbursements				
Current:				
Health	18,200	20,200	10,895	9,305
Capital Outlay	36,152	34,152	14,509	19,643
Total Disbursements	<u>54,352</u>	<u>54,352</u>	<u>25,404</u>	<u>28,948</u>
Net Change in Fund Balance	(36,352)	(36,352)	(10,771)	25,581
Fund Balance Beginning of Year	<u>36,352</u>	<u>36,352</u>	<u>36,352</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$25,581</u></u>	<u><u>\$25,581</u></u>

See accompanying notes to the basic financial statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
FIRE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Licenses, Permits and Fees	\$48,000	\$53,111	\$53,201	\$90
Charges for Services	9,000	9,000	4,500	(4,500)
Intergovernmental	5,000	5,000	6,281	1,281
Miscellaneous			3,400	3,400
Total receipts	62,000	67,111	67,382	271
Disbursements				
Current:				
Public Safety	63,300	71,383	59,706	11,677
Capital Outlay	16,786	8,703		8,703
Total Disbursements	80,086	80,086	59,706	20,380
Net Change in Fund Balance	(18,086)	(12,975)	7,676	(20,651)
Fund Balance Beginning of Year	18,086	18,086	18,086	
Fund Balance End of Year	\$0	\$5,111	\$25,762	\$20,651

See accompanying notes to the basic financial statements.

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**JEFFERSON TOWNSHIP
GREENE COUNTY**

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

1. REPORTING ENTITY

Jefferson Township, Greene County, Ohio (the Township), is a body politic and corporate established in 1803 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, 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 Jefferson Township. Jefferson Township provides general service services, maintenance of Jefferson Township roads and bridges, Fire and EMS services and cemetery maintenance. Jefferson Township contracts to provide fire protection to Caesarcreek Township. Police protection is provided by the Greene County Sheriff's Department.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This 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 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 cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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.

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net assets presents the cash balances 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 cash basis or draws from the Township's general receipts.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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. Non-major funds are aggregated and presented in a single column.

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 all governmental.

1. Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township has five major governmental funds. 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 major governmental funds of the Township are the Gas Tax Fund, Road and Bridge Fund, Cemetery Fund and Fire District Fund. The Cemetery fund is financed by the sale of cemetery lots and fees generated from grave opening and closings. Disbursements are for the upkeep and maintenance of the cemetery. The Fire Fund receives almost all its revenue from tax levies. We contract to provide fire protection to Caesar creek Township. Disbursements are for maintenance of fire trucks, personnel and other fire department related expenditures. The Gasoline Tax Fund is financed by gasoline sales taxes. Expenditures are for the upkeep and maintenance of roads and road department personnel and benefits. Road and Bridge Fund is financed by property taxes. Expenditures are for the upkeep and maintenance of roads and road department personnel and benefits.

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

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

**JEFFERSON TOWNSHIP
GREENE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. 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 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 appropriation 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, department, and object 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 appropriation 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 appropriation 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 Jefferson Township is pooled and invested in STAR OHIO.

STAR OHIO is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR OHIO is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR OHIO are valued at STAR OHIO's share price.

Interest earnings are allocated to Township funds according to State statutes or grant requirements. Interest receipts credited to the General Fund during 2006 was \$3,326 which includes \$3,079 assigned from other Township funds.

F. Restricted Assets

Cash and cash equivalents 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 has none.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 cash basis of accounting.

J. Fund Balances 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.

3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

For the year ended December 31, 2006, the Township has implemented GASB Statement No. 46 for net assets restricted by enabling legislation. Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

4. ACCOUNTABILITY AND COMPLIANCE

The Township did not comply with Ohio Revised Code Section 5705.36(A)(4) regarding requesting reduced certificate of estimated resources.

5. 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 Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, gas tax fund, road and bridge fund, cemetery fund, fire district fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis)

**JEFFERSON TOWNSHIP
GREENE COUNTY**

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

6. CASH AND CASH EQUIVALENTS

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.

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).

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
GREENE COUNTY**

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

6. CASH AND CASH EQUIVALENTS (Continued)

A. 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, none of the Township's bank balance of \$33,109 was exposed to custodial credit risk.

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.

B. Investments

As of December 31, 2006, the Township had the following investments:

	Carrying Value	Maturity
STAR Ohio	\$122,524	Daily
Total Portfolio	\$122,524	

Investment Type	Carrying Value	Investment Maturities (in Years)			
		Less than 1	1-2	3-5	More than 5
STAR Ohio	\$122,524	\$122,524	\$0	\$0	\$0
Total Investments	\$122,524	\$122,524	\$0	\$0	\$0

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township does not have an investment policy addressing interest rate risk.

The STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township's investments are limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

7. 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.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

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

7. PROPERTY TAXES (Continued)

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 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 18.75 percent of true value for capital assets and 17.25 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, 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 \$5.60 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:

Real Property	
Residential/Agricultural	\$17,696,810
Public Utility Property	
Real	2,542,460
Tangible Personal Property	<u>64,590</u>
Total Assessed Value	<u><u>\$20,303,860</u></u>

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.

A. 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. Townships can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

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

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.

B. 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.

C. 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

Casualty Coverage	2006	2005
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>
Property Coverage	2006	2005
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 \$18,422. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

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

8. RISK MANAGEMENT (Continued)

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	\$7,892
2005	\$8,676
2006	\$9,211

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.

9. DEFINED BENEFIT PENSION PLAN

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 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, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.0 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio revised Code provides statutory authority for member and employer contributions.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

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

9. DEFINED BENEFIT PENSION PLAN (Continued)

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006 and 2005 were \$10,437 and \$10,223 respectively. The full amount has been contributed for 2006, 2005.

10. POST-EMPLOYMENT BENEFITS

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 primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*.

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 13.70 percent of covered payroll. The portion of employer contributions allocated to health care was 4.50 percent.

Benefits are advance-funded using the entry age normal 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 for 2005, 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 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after that.

All investments are carried at market. 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 as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. The Township's actual employer contributions for 2006 which were used to fund post-employment benefits were \$3,428. 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 for OPEB were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating 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.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

This discussion and analysis of the Jefferson Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005. Due to the change over from regulatory reporting for the year ended December 31, 2004, analyses normally used with cash basis accounting will not be used this year. Readers should also review the basic financial statements and notes to enhance their understanding of the township's financial performance.

Highlights

Key highlights for 2005 are as follows:

- Net assets of township activities decreased \$28,102, or 17.11 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2005; however, cost increases affected most funds.
- Jefferson Township's general receipts are primarily property and other local taxes and intergovernmental revenue. These receipts represent respectively \$116,884 and 36% of the total cash received for governmental activities during the year. Property tax receipts changed very little compared to 2004 as there was little significant development in the township.
- Jefferson Township received \$1,787 for a FEMA grant as a result of the significant snow storm before Christmas in 2004. They received two Homeland Security Grants totaling \$66,600 and an Engineer's Grant for \$4,544.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's 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 government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the township did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. 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 draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the 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 non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes and intergovernmental revenue.

Governmental activities - All of the Township's basic services are reported here, including fire, streets, cemetery, and zoning. State and federal grants and property taxes as well as intergovernmental revenue finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

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 can be classified in one category: governmental.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

Governmental Funds - All 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 governmental funds are presented on the financial statements in separate columns. The information for non-major 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 has six major governmental funds—the General Fund, Motor Vehicle License Tax Fund, the Gasoline Tax Fund, the Cemetery Fund, the Fire District Fund and the Fire Act Grant Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Government as a Whole

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

(Table 1)
Net Assets

	Governmental Activities
	2005
Assets	
Cash and Cash Equivalents	\$136,184
Net Assets	
Restricted for:	
Permanent Fund:	
Expendable	672
Nonexpendable	2,620
Other Purposes	109,508
Unrestricted	23,384
Total Net Assets	\$136,184

As mentioned previously, net assets of governmental activities decreased \$ 28,102 or 17.11 percent during 2005.

Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

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 Works and Capital Outlay, which account for 31.98 and 28.52 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 21.45 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 2.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

**(Table 2)
Governmental Activities**

	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$75,717	(\$70,192)
Public Safety	52,767	27,179
Public Works	112,872	(13,452)
Health	10,941	12,129
Capital Outlay	100,650	(100,650)
Total Expenses	<u>\$352,947</u>	<u>(\$144,986)</u>

The Government's Funds

Total governmental funds had receipts of \$324,845 and disbursements of \$352,947. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$28,895 as the result of increased costs for salaries and benefits and not achieving anticipated growth in property taxes.

General Fund receipts were less than disbursements by \$28,895 indicating that the General Fund is in a deficit spending situation. It was the recommendation of the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. Some of these reductions have already been implemented for 2006 including spreading out trustees salaries and benefits to a different fund. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property taxes remains stagnant.

Fire Fund receipts totaled \$67,998 and Fire Fund disbursements were \$73,368.

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 General Fund.

During 2005, the difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$96,056 while actual disbursements were \$78,569.

Debt Administration

Jefferson Township has no debt.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

Current Issues

The challenge for Jefferson Township to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on taxes and have very little industry to support the tax base. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Township. Spending was reduced and purchases will be on an as needed basis.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, 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 Linda Fliehman, Township Fiscal Officer, Jefferson Township, 3118 Maysville Street, Bowersville, Ohio 45307.

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**JEFFERSON TOWNSHIP
GREENE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$136,184
Total Assets	<u>136,184</u>
Net Assets	
Restricted for:	
Permanent Fund: For Upkeep of Graves	
Expendable	672
Non-expendable	2,620
Other Purposes	109,508
Unrestricted	<u>23,384</u>
Total Net Assets	<u>\$136,184</u>

See accompanying notes to the basic financial statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>	
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
			<u>Governmental Activities</u>	
Governmental Activities				
General Government	\$75,717	\$2,825	\$2,700	(\$70,192)
Public Safety	52,767	8,000	71,946	27,179
Public Works	112,872	10,135	89,285	(13,452)
Health	10,941	18,526	4,544	12,129
Capital Outlay	100,650			(100,650)
Total Governmental Activities	<u>\$352,947</u>	<u>\$39,486</u>	<u>\$168,475</u>	<u>(144,986)</u>
General Receipts				
Property Taxes				96,543
Grants and Entitlements not Restricted to Specific Programs				15,431
Earnings on Investments				<u>4,910</u>
Total General Receipts				<u>116,884</u>
Change in Net Assets				(28,102)
Net Assets Beginning of Year				<u>164,286</u>
Net Assets End of Year				<u>\$136,184</u>

See accompanying notes to the basic financial statements.

JEFFERSON TOWNSHIP
GREENE COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	General	Motor Vehicle License Tax	Gas Tax	Cemetery	Fire District	Fire Act Grant	Other Funds	Total Governmental Funds
Assets								
Equity in Pooled Cash and Cash Equivalents	\$23,384	\$15,849	\$29,200	\$36,352	\$18,086	\$0	\$13,313	\$136,184
Total Assets	<u>23,384</u>	<u>15,849</u>	<u>29,200</u>	<u>36,352</u>	<u>18,086</u>	<u>0</u>	<u>13,313</u>	<u>136,184</u>
Fund Balances								
Unreserved:								
Undesignated (Deficit), Reported in:								
General Fund	23,384							23,384
Special Revenue Funds		15,849	29,200	36,352	18,086		10,021	109,508
Permanent Fund							3,292	3,292
Total Fund Balances	<u>\$23,384</u>	<u>\$15,849</u>	<u>\$29,200</u>	<u>\$36,352</u>	<u>\$18,086</u>	<u>\$0</u>	<u>\$13,313</u>	<u>\$136,184</u>

See accompanying notes to the basic financial statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Motor Vehicle License Tax	Gasoline Tax	Cemetery	Fire District	Fire Act Grant	Other Governmental Funds	Total
Receipts								
Property and Other Local Taxes	\$25,372				\$54,645		\$24,161	\$104,178
Charges for Services					8,000		2,500	10,500
Licenses, Permits and Fees	2,750			\$18,526				21,276
Intergovernmental	18,134	\$9,063	\$76,688		5,353	\$66,600	8,068	183,906
Earnings on Investments	3,343	380	990				197	4,910
Miscellaneous	75							75
Total Receipts	<u>49,674</u>	<u>9,443</u>	<u>77,678</u>	<u>18,526</u>	<u>67,998</u>	<u>66,600</u>	<u>34,926</u>	<u>324,845</u>
Disbursements								
Current:								
General Government	75,717							75,717
Public Safety	438				46,779		5,550	52,767
Public Works		89	76,218				36,565	112,872
Health	2,414			3,948			4,579	10,941
Capital Outlay				5,111	26,589	66,600	2,350	100,650
Total Disbursements	<u>78,569</u>	<u>89</u>	<u>76,218</u>	<u>9,059</u>	<u>73,368</u>	<u>66,600</u>	<u>49,044</u>	<u>352,947</u>
Net Change in Fund Balances	(28,895)	9,354	1,460	9,467	(5,370)		(14,118)	(28,102)
Fund Balances Beginning of Year	<u>52,279</u>	<u>6,495</u>	<u>27,740</u>	<u>26,885</u>	<u>23,456</u>		<u>27,431</u>	<u>164,286</u>
Fund Balances End of Year	<u>\$23,384</u>	<u>\$15,849</u>	<u>\$29,200</u>	<u>\$36,352</u>	<u>\$18,086</u>	<u>\$0</u>	<u>\$13,313</u>	<u>\$136,184</u>

See accompanying notes to the basic financial statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$23,400	\$23,400	\$25,372	\$1,972
Licenses, Permits and Fees	2,500	2,500	2,750	250
Intergovernmental	17,300	17,300	18,134	834
Earnings on Investments	800	800	3,343	2,543
Miscellaneous	300	300	75	(225)
Total receipts	<u>44,300</u>	<u>44,300</u>	<u>49,674</u>	<u>5,374</u>
Disbursements				
Current:				
General Government	90,556	91,056	75,717	15,339
Public Works	500	500	438	62
Health	3,000	3,000	2,414	586
Capital Outlay	2,000	1,500		1,500
Total Disbursements	<u>96,056</u>	<u>96,056</u>	<u>78,569</u>	<u>17,487</u>
Net Change in Fund Balance	(51,756)	(51,756)	(28,895)	22,861
Fund Balance Beginning of Year	<u>52,279</u>	<u>52,279</u>	<u>52,279</u>	
Fund Balance End of Year	<u><u>\$523</u></u>	<u><u>\$523</u></u>	<u><u>\$23,384</u></u>	<u><u>\$22,861</u></u>

See accompanying notes to the basic financial statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
MOTOR VEHICLE LICENSE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$9,300	\$9,300	\$9,063	(\$237)
Earnings on Investments	100	100	380	280
Miscellaneous	100	100		(100)
Total receipts	<u>9,500</u>	<u>9,500</u>	<u>9,443</u>	<u>(57)</u>
Disbursements				
Current:				
Public Works	<u>15,995</u>	<u>15,995</u>	<u>89</u>	<u>15,906</u>
Total Disbursements	<u>15,995</u>	<u>15,995</u>	<u>89</u>	<u>15,906</u>
Net Change in Fund Balance	(6,495)	(6,495)	9,354	15,849
Fund Balance Beginning of Year	<u>6,495</u>	<u>6,495</u>	<u>6,495</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$15,849</u></u>	<u><u>\$15,849</u></u>

See accompanying notes to the basic financial statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$65,000	\$65,000	\$76,688	\$11,688
Earnings on Investments	200	200	990	790
Miscellaneous	50	50		(50)
Total receipts	<u>65,250</u>	<u>65,250</u>	<u>77,678</u>	<u>12,428</u>
Disbursements				
Current:				
Public Works	<u>92,990</u>	<u>92,990</u>	<u>76,218</u>	<u>16,772</u>
Total Disbursements	<u>92,990</u>	<u>92,990</u>	<u>76,218</u>	<u>16,772</u>
Net Change in Fund Balance	(27,740)	(27,740)	1,460	29,200
Fund Balance Beginning of Year	<u>27,740</u>	<u>27,740</u>	<u>27,740</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$29,200</u></u>	<u><u>\$29,200</u></u>

See accompanying notes to the basic financial statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
CEMETERY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Licenses, Permits and Fees	\$16,000	\$16,000	\$18,526	\$2,526
Miscellaneous	5,100	5,100		(5,100)
Total receipts	<u>21,100</u>	<u>21,100</u>	<u>18,526</u>	<u>(2,574)</u>
Disbursements				
Current:				
Health	47,985	41,985	3,948	38,037
Capital Outlay		6,000	5,111	889
Total Disbursements	<u>47,985</u>	<u>47,985</u>	<u>9,059</u>	<u>38,926</u>
Net Change in Fund Balance	(26,885)	(26,885)	9,467	36,352
Fund Balance Beginning of Year	<u>26,885</u>	<u>26,885</u>	<u>26,885</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$36,352</u></u>	<u><u>\$36,352</u></u>

See accompanying notes to the basic financial statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
FIRE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Receipts				
Property and Other Local Taxes	\$47,000	\$47,000	\$54,645	\$7,645
Charges for Services	8,000	8,000	8,000	
Intergovernmental	5,000	5,000	5,353	353
Miscellaneous	100	100		(100)
Total receipts	<u>60,100</u>	<u>60,100</u>	<u>67,998</u>	<u>7,898</u>
Disbursements				
Current:				
Public Safety	68,750	54,206	46,779	7,427
Capital Outlay	14,806	29,350	26,589	2,761
Total Disbursements	<u>83,556</u>	<u>83,556</u>	<u>73,368</u>	<u>10,188</u>
Net Change in Fund Balance	(23,456)	(23,456)	(5,370)	18,086
Fund Balance Beginning of Year	<u>23,456</u>	<u>23,456</u>	<u>23,456</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$18,086</u></u>	<u><u>\$18,086</u></u>

See accompanying notes to the basic financial statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
FIRE ACT GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$0	\$66,600	\$66,600	\$0
Total receipts		66,600	66,600	
Disbursements				
Current:				
Capital Outlay		66,600	66,600	
Total Disbursements		66,600	66,600	
Net Change in Fund Balance				
Fund Balance Beginning of Year				
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. REPORTING ENTITY

Jefferson Township, Greene County, Ohio (the Township), is a body politic and corporate established in 1803 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, and other organizations that were included to ensure that the financial statements are not misleading.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This 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 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 cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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.

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net assets presents the cash balances 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 cash basis or draws from the Township's general receipts.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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. Non-major funds are aggregated and presented in a single column.

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 all governmental.

1. Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township has six major governmental funds. 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 major governmental funds of the Township are the Motor Vehicle License Tax Fund, Gas Tax Fund, Cemetery Fund, Fire District Fund and Fire Act Grant Fund. The Fire Levy Fund receives property taxes from an operating levy in order to provide fire related functions plus ambulance and other emergency services to the Township. The Cemetery Fund is financed from the sales of lots and services to provide maintenance of the cemetery and related cemetery services. Motor Vehicle License Tax and Gas Tax funds receive license tax and gas tax money from the County and are used for constructing, maintaining and repairing Township roads. Fire Act Grant received grants that were used for the purchase of fire equipment.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. 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.

As a result of the use of this 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 expenses and liabilities) are not recorded in these financial statements.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. 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 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 appropriation 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, department, and object 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 certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriation 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 appropriation 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 Jefferson Township is pooled and invested in STAR OHIO.

STAR OHIO is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR OHIO is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR OHIO are valued at STAR OHIO's share price.

Interest earnings are allocated to Township funds according to State statutes or grant requirements. Interest receipts credited to the General Fund during 2005 was \$3,343 which includes \$2,500 assigned from other Township funds.

F. Restricted Assets

Cash and cash equivalents 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 has none.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 cash basis of accounting.

J. Fund Balances 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. Fund balance reserves have been established for encumbrances.

K. 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.

3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

This is the first year that the Township has reported fund financial statements by the cash basis of accounting described in note 2. The fund financial statements present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

4. ACCOUNTABILITY AND COMPLIANCE

The Township did not comply with Ohio Revised Code Section 5705.36(A)(4) regarding requesting reduced certificates of estimated resources.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

5. 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 Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, motor vehicle license tax fund, gas tax fund, cemetery fund, fire district fund and fire act grant fund, are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the *modified* cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis)

6. CASH AND CASH EQUIVALENTS

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.

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;

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

6. CASH AND CASH EQUIVALENTS (Continued)

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).

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.

B. 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, none of the Township's bank balance of \$32,640 was exposed to custodial credit risk.

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.

C. Investments

As of December 31, 2005, the Township had the following investments:

	<u>Carrying Value</u>		<u>Maturity</u>		
STAR Ohio	<u>\$115,172</u>		Daily		
			<u>Investment Maturities (in Years)</u>		
<u>Investment Type</u>	<u>Carrying Value</u>	<u>Less than 1</u>	<u>1-2</u>	<u>3-5</u>	<u>More than 5</u>
STAR Ohio	<u>\$115,172</u>	<u>\$115,172</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Investments	<u>\$115,172</u>	<u>\$115,172</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township does not have an investment policy addressing interest rate risk.

The STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township's investments are limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

7. 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 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, 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 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, 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 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. 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, 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, 2005, was \$5.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$17,176,680
Public Utility Property	
Real	3,308,460
Tangible Personal Property	101,605
Total Assessed Value	<u>\$20,586,745</u>

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

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

8. RISK MANAGEMENT (Continued)

A. Casualty Coverage

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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 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.

B. 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 value. 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 2005 was \$1,682,589.

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

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

C. 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, 2005 and 2004

Casualty Coverage	2005	2004
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
Property Coverage	2005	2004
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

8. RISK MANAGEMENT (Continued)

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, 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 \$17,352. 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.

Township Contributions to OTARMA

2004	\$7,892
2005	\$8,676

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide 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 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 was incurred or reported prior to the withdrawal.

9. DEFINED BENEFIT PENSION PLAN

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.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

9. DEFINED BENEFIT PENSION PLAN (Continued)

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, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 13.55 percent. 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, 2005 was \$10,223 respectively. The full amount has been contributed for 2005 and 2004. There were no member-directed plans.

10. POST-EMPLOYMENT BENEFITS

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 primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. 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 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 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 premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. 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.

The number of active contributing participants in the traditional and combined plans was 376,109. The Township's actual employer contributions for 2005 which were used to fund post-employment benefits were \$3,018. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**JEFFERSON TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

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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
Greene County
3188 Maysville Street
P.O. Box 116
Bowersville, Ohio 45307

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, Greene County, (the Township) as of and for the year ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated January 30, 2008 wherein we noted the Township uses a comprehensive basis of accounting other than generally accepted accounting principles. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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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www.auditor.state.oh.us

Internal Control Over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001, 2006-002 and 2006-004.

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, of the significant deficiencies described above, we believe finding numbers 2006-001 and 2006-004 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated January 30, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated January 30, 2008.

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



Mary Taylor, CPA
Auditor of State

January 30, 2008

**JEFFERSON TOWNSHIP
GREENE COUNTY**

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

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

FINDING NUMBER 2006-001

Material Weakness

Other Revenue Classifications

Other revenue is money collected by the Township from minor sources which do not form a significant part of its normal activities. The following receipts posted by the Township as other revenue were not considered to be properly classified:

- License Fees and Permits in the Cemetery fund were posted as other revenue. The total misstatement for 2005 amounted to \$4,600 and the 2006 misstatement amount was \$2,900.
- Engineer's Grant from the Greene County Auditor was posted as other revenue instead of intergovernmental. 2005 and 2006 receipts were misstated by \$4,544 each.
- The Township posted \$66,600 of federal Homeland Security Grant money during 2005 as other revenue instead of intergovernmental receipts.

Procedures should be established and implemented to verify that the Township properly classifies all revenues and expenditures. Failure to do so could result in material misstatements on the Township's financial statements.

FINDING NUMBER 2006-002

Significant Deficiency

Emergency Medical Services (EMS) Billings

The Township contracted with Medicount a third party service organization for EMS billings. The Township submitted reports to the Service Organization for billing. The Service Organization used the information to bill the customers or their insurance companies. Money was received and posted by the Township. However, there were no controls at the Township to monitor the runs submitted for billing and the corresponding receipts generated from the runs.

The Township should establish procedures to monitor the EMS billing process. Runs submitted for billing should be tracked and traced to the corresponding receipts from the insurance companies and/or customers. This information should be reconciled to the reports from the Service Organization.

Such controls would allow the Township to monitor write-offs by the Service Organization to individual runs and help detect any fluctuations. Additionally this would help verify that runs submitted by the Township for billing are accurately processed by the Service Organization and allow the Township to monitor the efficiency and effectiveness of the billing process.

FINDING NUMBER 2006-003

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Ohio Rev. Code Section 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. **Ohio Rev. Code Section 5705.36(A)(4)** requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

The significant variances below were noted between estimated receipts and actual receipts. In addition, the actual receipts were not sufficient to cover actual expenditures plus encumbrances.

Fund	November 21, 2006 Certificate	Revenue at December 31, 2006	Variance
Cemetery Fund	\$18,000	\$14,633	(\$3,367)

Fund	December 16, 2005 Certificate	Revenue at December 31, 2005	Variance
Road & Bridge	\$21,255	\$20,763	(\$492)

The Township should establish policies and procedures to monitor estimated and actual revenues throughout the year and obtain an amended certificate if revenues are going to significantly vary from the original estimate to prevent over-appropriating available resources.

FINDING NUMBER 2006-004

Material Weakness

Budgetary Amendments and Certificate of Estimated Resources

The Township did not update its accounting records throughout the year to reflect approved estimated resources. This limited the reliability of budgetary reports generated by the system and created inaccurate reporting on the annual budget and actual statements. Audit adjustments were posted to the budget and actual statements to reflect accurate amounts. Up-to-date and accurate budgetary information is required to make informed budgetary decisions.

To assist the Township officials in making timely financial decisions and to accurately analyze the effectiveness of its operations, the Fiscal Officer should update the accounting records to reflect estimated resources approved by the County Budget Commission.



Mary Taylor, CPA
Auditor of State

JEFFERSON TOWNSHIP

GREENE 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
MARCH 6, 2008**