



Mary Taylor, CPA
Auditor of State

JEFFERSON TOWNSHIP
RICHLAND COUNTY

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Mary Taylor, CPA

Auditor of State

Jefferson Township
Richland County
285 South Main Street
Bellville, Ohio 44813

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 18, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Jefferson Township
Richland County
285 South Main Street
Bellville, Ohio 44813

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Richland County, Ohio, (the Township) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. For 2007, the Township processed 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 Township, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Jefferson Township, Richland County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 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.

We conducted our audit to opine on the financial statements that collectively comprise the Township's financial statements. The U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* requires presenting a Federal Award Expenditures Schedule. The schedule is not a required part of the financial statements. We subjected the Federal Award Expenditures Schedule to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

July 18, 2008

**JEFFERSON TOWNSHIP
RICHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Property and Other Local Taxes	\$46,093	\$670,610	\$77,619	\$794,322
Intergovernmental	45,405	389,942	3,753	439,100
Earnings on Investments	56,279	6,412		62,691
Miscellaneous	519	20,052		20,571
Total Cash Receipts	<u>148,296</u>	<u>1,087,016</u>	<u>81,372</u>	<u>1,316,684</u>
Cash Disbursements:				
Current:				
General Government	111,689			111,689
Public Safety		146,856		146,856
Public Works	14,793	678,894		693,687
Human Services		46,606		46,606
Conservation - Recreation	700			700
Capital Outlay		135,016		135,016
Debt Service:				
Redemption of Principal			26,900	26,900
Interest and Other Fiscal Charges			58,636	58,636
Total Cash Disbursements	<u>127,182</u>	<u>1,007,372</u>	<u>85,536</u>	<u>1,220,090</u>
Total Receipts Over/(Under) Disbursements	<u>21,114</u>	<u>79,644</u>	<u>(4,164)</u>	<u>96,594</u>
Other Financing Receipts:				
Sale of Bonds		121,011		121,011
Sale of Fixed Assets	1,250			1,250
Total Other Financing Receipts	<u>1,250</u>	<u>121,011</u>	<u>0</u>	<u>122,261</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	22,364	200,655	(4,164)	218,855
Fund Cash Balances, January 1	<u>174,415</u>	<u>686,881</u>	<u>130,865</u>	<u>992,161</u>
Fund Cash Balances, December 31	<u>\$196,779</u>	<u>\$887,536</u>	<u>\$126,701</u>	<u>\$1,211,016</u>

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

**JEFFERSON TOWNSHIP
RICHLAND COUNTY**

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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Property and Other Local Taxes	\$44,514	\$675,483	\$78,929	\$798,926
Intergovernmental	60,990	336,295	9,656	406,941
Earnings on Investments	11,488	93		11,581
Miscellaneous	4,469	3,285		7,754
	121,461	1,015,156	88,585	1,225,202
Cash Disbursements:				
Current:				
General Government	87,168			87,168
Public Safety		108,210		108,210
Public Works	1,937	685,503		687,440
Health	1,500			1,500
Human Services		46,692		46,692
Conservation - Recreation	900			900
Capital Outlay	35,325	1,481,002		1,516,327
Debt Service:				
Redemption of Principal		89,000	24,800	113,800
Interest and Other Fiscal Charges		1,605	16,383	17,988
	126,830	2,412,012	41,183	2,580,025
Total Receipts Over/(Under) Disbursements	(5,369)	(1,396,856)	47,402	(1,354,823)
Other Financing Receipts:				
Sale of Bonds		1,418,520		1,418,520
Sale of Fixed Assets		8,200		8,200
	0	1,426,720	0	1,426,720
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(5,369)	29,864	47,402	71,897
Fund Cash Balances, January 1	179,784	657,017	83,463	920,264
Fund Cash Balances, December 31	\$174,415	\$686,881	\$130,865	\$992,161

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

**JEFFERSON TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Jefferson Township, Richland County, Ohio, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, road and bridge maintenance, and cemetery maintenance. The Township contracts with the Jefferson Township-Bellville Fire Department, a legally separate non-profit corporation, to provide fire protection and emergency medical services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash

The Township values certificates of deposit at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund – This fund receives gasoline tax moneys for constructing, maintaining and repairing Township roads.

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**JEFFERSON TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Road District Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Permissive Sales Tax Fund – This fund receives County sales tax money for repair and maintenance of Township roads and equipment.

Fire District Fund – This fund receives property taxes for providing fire protection and emergency medical services.

3. Debt Service Funds

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

Fire Station Debt Service Fund – This fund receives property taxes for retiring debt related to the construction of the Township's firehouse.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control for the General Fund and at the fund level for all other funds, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio Law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**JEFFERSON TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

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

2. Equity in Pooled Cash

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

	2007	2006
Demand deposits	\$1,001,016	\$723,826
Certificates of deposit	210,000	268,335
Total deposits	\$1,211,016	\$992,161

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

3. Budgetary Activity

Budgetary activity for the years ended December 31, 2007 and December 31, 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$87,680	\$149,546	\$61,866
Special Revenue	802,800	1,208,027	405,227
Debt Service	82,000	81,372	(628)
Total	\$972,480	\$1,438,945	\$466,465

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$266,018	\$127,182	\$138,836
Special Revenue	1,487,566	1,007,372	480,194
Debt Service	212,865	85,536	127,329
Total	\$1,966,449	\$1,220,090	\$746,359

**JEFFERSON TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$92,745	\$121,461	\$28,716
Special Revenue	2,268,771	2,441,876	173,105
Debt Service	86,281	88,585	2,304
Total	\$2,447,797	\$2,651,922	\$204,125

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$258,088	\$126,830	\$131,258
Special Revenue	2,940,229	2,412,012	528,217
Debt Service	169,744	41,183	128,561
Total	\$3,368,061	\$2,580,025	\$788,036

- Contrary to Ohio Rev. Code Section 5705.42 the Township did not initially record certain Ohio Public Works Commission grants paid directly to vendors on the Township's financial records.
- Contrary to Ohio Rev. Code Sections 135.21, 135.351, 5705.10, and 5705.131; Op. Atty Gen. No. 82-031 the Township initially allocated interest to a fund which was not entitled to interest earnings.
- Contrary to Ohio Rev. Code Section 5705.41(D) the Township did not certify the availability of funds and appropriations for all expenditures.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**JEFFERSON TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Debt

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$1,516,300	4.125%

The Township issued general obligation bonds to repay the USDA for the federal loan issued for the construction and furnishing of a new fire house and an ambulance. The Township's taxing authority collateralized the bonds.

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

	General Obligation Bonds		
	Principal	Interest	Total
Year ending December 31:			
2008	\$35,600	\$62,342	\$97,942
2009	36,900	59,970	96,870
2010	38,400	57,591	95,991
2011	40,100	55,196	95,296
2012	41,700	52,785	94,485
2013 – 2017	235,700	227,149	462,849
2018 - 2022	227,900	168,870	396,770
2023 - 2027	279,000	116,511	395,511
2028 - 2032	341,400	63,675	405,075
2033 - 2035	239,600	12,706	252,306
Total	\$1,516,300	\$876,795	\$2,393,095

6. Retirement System

The Township's employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 percent and 9 percent, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 percent and 13.7 percent, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

7. Risk Pool Management

The Township belongs to the Ohio Governmental Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

**JEFFERSON TOWNSHIP
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Risk Pool Management (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31, 2006 and 2005 (the latest information available):

	<u>2006</u>	<u>2006</u>
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

You can read the complete audited financial statements for the Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

The Township also provides health, dental and vision insurance for their employees and trustees.

8. Grants

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding of any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**JEFFERSON TOWNSHIP
RICHLAND COUNTY**

**FEDERAL AWARD EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2006**

FEDERAL GRANTOR	Pass Through	Federal	
<i>Pass Through Grantor</i>	Entity	CFDA	
Program Title	Number	Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Direct Program:</i>			
Community Facilities Loans and Grants	N/A	10.766	<u>\$1,433,520</u>

The accompanying note is an integral part of this schedule.

**JEFFERSON TOWNSHIP
RICHLAND COUNTY**

**NOTE TO THE FEDERAL AWARD EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2006**

SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Award Expenditures Schedule (the Schedule) summarizes activity of the Township's federal award programs. The schedule has been prepared on the cash basis of accounting.



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
Richland County
285 South Main Street
Bellville, Ohio 44813

To the Board of Trustees:

We have audited the financial statements of Jefferson Township, Richland County, Ohio, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 18, 2008 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted for 2007 the Township used the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this Township, 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 opinion 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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We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-004.

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 2007-001, 2007-003 and 2007-004 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated July 18, 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-003 through 2007-005.

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 July 18, 2008.

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

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



Mary Taylor, CPA
Auditor of State

July 18, 2008



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Jefferson Township
Richland County
285 South Main Street
Bellville, Ohio 44813

To the Board of Trustees:

Compliance

We have audited the compliance of Jefferson Township, Richland County, Ohio, (the Township) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the Township's major federal program. The Township's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the Township's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Township's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Township's compliance with those requirements.

As described in item 2007-006 in the accompanying schedule of findings, the Township did not comply with requirements regarding reporting that are applicable to its Community Facilities Loans and Grants program for the year ended December 31, 2006. Compliance with such requirements is necessary, in our opinion, for the Township to comply with requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the Township did not comply in all material respects, with the requirements referred to above that are applicable to its Community Facilities Loans and Grants program for the year ended December 31, 2006. Also, in our opinion, the Township complied, in all material respects, with the requirements referred to above that are applicable to its Community Facilities Loans and Grants program for the year ended December 31, 2007.

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Internal Control Over Compliance

The Township's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Township's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over compliance.

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

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to administer a federal program such that there is more than a remote likelihood that the Township's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2007-006 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Township's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We consider item 2007-006 to be a material weakness.

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

We intend this report solely for the information and use of management, Board of Trustees, and federal awarding agencies. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 18, 2008

**JEFFERSON TOWNSHIP
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Adverse for 2006 and Unqualified for 2007.
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 10.766 – Community Facilities Loans and Grants
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2007-001

Material Weakness

Our receipt and expenditure testing revealed the Township recorded several transactions incorrectly. Mispostings identified included, but were not limited, to the following:

- In 2007 and 2006, \$2,113 and \$5,282, respectively, of public utility reimbursement receipts were credited only to the General Fund rather than being allocated among the General Fund, and Special Revenue Funds based on the tax levies. As a result, the Special Revenue Fund's revenues and cash fund balances were understated a total of \$1,549 in 2007 and \$4,928 in 2006. These amounts were adjusted to the financial statements.

FINDING NUMBER 2007-001 (Continued)

- In 2007 and 2006, \$4,546 and \$905, respectively, of intergovernmental receipts were posted as tax receipts in the General Fund; \$42,226 and \$7,131, respectively, of intergovernmental receipts were posted as tax receipts in the Special Revenue Funds; and, in 2007, \$4,752 of intergovernmental receipts were posted as tax receipts in the Debt Service Funds. In addition, in 2006, \$8,250 of Special Revenue intergovernmental receipts were posted as miscellaneous receipts. The \$42,226 amount was adjusted to the financial statements. The remaining amounts were reported to management as unadjusted items.
- In 2007, a \$599 motor vehicle license receipt was incorrectly posted to the General Fund miscellaneous revenue rather than the Motor Vehicle License Tax Special Revenue Fund. This amount was adjusted to the financial statements.
- In 2007 and 2006, \$31,011 and \$12,005, respectively, of bond proceeds were posted to other financing sources, miscellaneous revenue and intergovernmental revenue rather than bond proceeds in the Special Revenue Funds. These amounts were adjusted to the financial statements.
- In 2007, \$43,771 was posted as transfer out rather than human services expenditures in the Special Revenue Funds. This amount was adjusted to the financial statements.
- In 2007 and 2006, \$8,200 in the Special Revenue Funds and \$399 in the General Fund, respectively, were posted to miscellaneous revenue rather than sale of fixed assets. The \$8,200 amount was adjusted to the financial statements. The remaining amount was reported to management as an unadjusted item.
- In 2007, \$5,753 and \$8,393 of Special Revenue Funds miscellaneous receipts did not have any supporting documentation. The Township's ledger indicated these were conversion receipts, which were posted to the Township's system in May 2007 when the Township started using the UAN system. No adjustments were proposed for these amounts.

The Township should review the Ohio Township Handbook and exercise due care when posting transactions to help ensure receipts and expenditures are posted to the correct fund and account. In addition, the Trustees should review cash reconciliations, budget-to-actual reports and receipt and expenditure activity reports monthly to help ensure transactions are properly recorded. This will help more accurately reflect the Township's financial activity and will aid in more accurate financial reporting. In addition, the Township should ensure adequate supporting documentation is maintained for all receipts and expenditures.

Officials' Response: Township has instituted UAN information system and has corrected all of the aforementioned findings. Fiscal officer has complete understanding of accounting system and classification of accounts. Adjustment amount in last bullet was one time amount in the conversion to UAN from manual accounting system.

FINDING NUMBER 2007-002

Significant Deficiency

The Township paid the Jefferson Township-Bellville Fire Department (a private non-profit corporation) \$18,000 in 2007 and 2006 to provide fire protection and ambulance services for the Township. In addition, the Township directly paid certain Fire Department employees' salaries, purchased equipment and paid various other expenses for the Fire Department. There is no formal contract between the Township and the Fire Department specifying each party's responsibilities for financing the operations of the Fire Department.

FINDING NUMBER 2007-002 (Continued)

The Township should approve a formal written contract with the Fire Department specifying each party's responsibilities for financing the operations of the Fire Department. In addition, the Township should monitor the Fire Department's activity to ensure compliance with the contract.

Officials' Response: Township trustees will consult with legal counsel as to the appropriate manner to proceed with letter of understanding between township and fire department.

FINDING NUMBER 2007-003

Noncompliance/Material Weakness

Ohio Rev. Code Section 5705.42 requires in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision.

In 2007 and 2006, the Township received \$175,378 and \$151,456, respectively, of Ohio Public Works Commission (OPWC) Issue II moneys for the construction and reconstruction of public roads. Under the terms of this agreement, OPWC makes project payments directly to the vendor/contractor(s) on the Township's behalf. The Township did not recognize these revenues and expenditures in their general ledger, thus understating their revenues and expenditures. An adjustment was made to the financial statements to recognize these revenues and expenditures.

Any payments made on behalf of the Township by another party should be recorded by the Township as a revenue and expenditure. Failure to do so results in an understatement of revenues and expenditures. The Township should refer to Auditor of State Bulletin 2002-004 for guidance.

Officials' Response: All monies from OPWC are now accounted for on township records with appropriate in and out of state funds being reflected in project costs. July 2008 Renie/Poorman Road OPWC improvement accounted for as prescribed by the Auditor of State.

FINDING NUMBER 2007-004

Noncompliance/Material Weakness

Ohio Rev. Code Sections 135.21 and 5705.10; 1982 Op. Atty Gen. No. 82-031, indicates as a general rule, with the exceptions that require interest earned on money derived from a motor vehicle license or fuel tax must follow the principal and specific other exceptions, all other interest earned must be credited to the general fund of the township.

In 2007, the Township allocated \$17,774 to the Fire Station Debt Service Fund, which is not one of the exceptions noted above, and therefore, should not receive interest. In 2006, interest was allocated equally among the General Fund, and Motor Vehicle License Tax and Gasoline Tax Special Revenue Funds rather than basing the allocation on the fund balance of each fund receiving interest. As such, an adjustment was made to reallocate \$1,005 of interest for 2006.

Officials' Response: Interest for year 2008 and beyond being allocated to General, Motor Vehicle License, and Gasoline Tax Funds based on percentage of month-end fund balance as prescribed by Auditor of State.

FINDING NUMBER 2007-005

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) provides no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision stating the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

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

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

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of expenditures tested were certified by the fiscal officer prior to the purchase commitment being made. It was also found none of the exceptions above were utilized for the items found to be in non-compliance. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance. In addition, we noted the Board of Trustees did not establish an amount in which blanket purchase orders may be written for, against any specific line item account over a period not running beyond the end of the current fiscal year.

FINDING NUMBER 2007-005 (Continued)

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

The Township should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Township should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. The Board should also establish an amount for which its blanket certificates may be written.

Officials' Response: Purchase orders being generated for year 2008 and beyond as conversion to UAN accounting system requires afore mention procedures to generate payment process.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2007-006
CFDA Title and Number	10.766 – Community Facilities Loans and Grants
Federal Award Number / Year	2006
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Not Applicable – Direct Grant

Noncompliance/Material Weakness

The U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, §_.200 requires non-federal entities that expend \$500,000 or more in a year in federal awards to have a single audit conducted for that year in accordance with §_.500.

Additionally, 7 CFR 1942.17(n)(3) permits governments to obtain interim financing from commercial sources (e.g., bank loans) during the construction period after the USDA Rural Housing Service makes a commitment on a Community Facilities loan. The commercial loans will be repaid with Community Facilities program loans or loan guarantees. Expenditures from the commercial loans should be considered Federal awards expended and included in the Type A program determination and Schedule of Expenditures of Federal Awards.

The Township expended \$1,433,520 (\$1,418,520 commercial loans and \$15,000 grants) of federal awards during 2006 and did not prepare a Federal Awards Expenditures Schedule or have a separate single audit performed. As a result, the Township's 2006 single audit was performed concurrently with the Township's 2007 audit. The Township should notify the Auditor of State's office to request a single audit be performed for each year in which it expends \$500,000 or more in Federal awards. Pursuant to OMB Circular A-133 §_.205 (d), loans (including loan guarantees), the proceeds of which were received and expended in prior-years, are not considered Federal awards expended under this part when the laws, regulations, and the provisions of contracts or grant agreements pertaining to such loans impose no continuing compliance requirements other than to repay the loans. However, this does not relieve the Township from adhering to other continuing compliance requirements including, but not limited to: maintaining insurance, depositing funds in Federally insured banks, and obtaining prior approval for sale of the constructed facility.

Officials' Response: No federal grants expected in future to exceed \$500,000. Should Federal Grant be applied for and granted, single audit will be called for on or before of 12/31 of year monies disbursed.

JEFFERSON TOWNSHIP
RICHLAND COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-JTRC-001	Ohio Rev. Code Section 5705.41(D), no expenditures were certified by the Fiscal Officer prior to incurring the obligation.	No	Repeated similar citation as finding number 2007-005.
2005-JTRC-002	Ohio Rev. Code Section 135.21 provides for the distribution of interest.	No	Repeated similar citation as finding number 2007-004.



Mary Taylor, CPA
Auditor of State

JEFFERSON TOWNSHIP

RICHLAND COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 2, 2008**