

***JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2009 & 2008

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Jefferson Township
One Business Park Drive
Dayton, Ohio 45427

We have reviewed the *Report of Independent Accountants* of Jefferson Township, Montgomery County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 18, 2010

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**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY
For the Years Ending December 31, 2009 and 2008**

TABLE OF CONTENTS

<u>Title</u>	<u>Page #</u>
Report of Independent Accountants	1-2
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types For the Year Ended December 31, 2009	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types For the Year Ended December 31, 2008	4
Notes to the Financial Statements	5-13
Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	14-15
Schedule of Findings	16-22
Schedule of Prior Audit Findings	23

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Jefferson Township, Montgomery County
One Business Park Drive
Dayton, Ohio 45427

To the Board of Trustees:

We have audited the accompanying financial statements of the Jefferson Township, Montgomery County (the Township), as of and for the years ended December 31, 2009 and 2008. 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. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008, 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, 2009 and 2008, 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 the Township, as of December 31, 2009 and 2008, and its cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2009 and 2008. 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 October 6, 2010, 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 do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls 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.

Charles E. Harris & Associates, Inc.

October 6, 2010

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Agency Fund</u>	
Receipts:					
Property and Other Local Taxes	\$ 191,840	\$ 1,138,725	-	-	\$ 1,330,565
Intergovernmental	85,529	127,335	-	-	212,864
Charges for Services	-	182,279	-	-	182,279
Fines, Licenses, Permits and Fees	27,430	3,703	-	-	31,133
Special Assessments	-	187,130	-	-	187,130
Miscellaneous	12,595	6,629	-	-	19,224
Total Receipts	<u>317,394</u>	<u>1,645,801</u>	<u>-</u>	<u>-</u>	<u>1,963,195</u>
Disbursements:					
Current:					
General Government	243,058	53,456	-	-	296,514
Public Safety	-	1,026,922	-	-	1,026,922
Public Health Services	-	3,992	-	-	3,992
Public Works	-	680,796	-	-	680,796
Conservation/Recreation	812	-	-	-	812
Capital Outlay	-	90,820	-	-	90,820
Debt Service:					
Redemption of Principal	10,000	76,826	-	-	86,826
Interest and Fiscal Charges	20,000	13,392	-	-	33,392
Total Disbursements	<u>273,870</u>	<u>1,946,204</u>	<u>-</u>	<u>-</u>	<u>2,220,074</u>
Total Receipts Over(Under) Disbursements	43,524	(300,403)	-	-	(256,879)
Other Financing Sources (Uses)					
Other Financing Sources	-	294	-	\$ 17,340	17,634
Other Financing Uses	-	-	-	(18,259)	(18,259)
Total Other Financing Sources (Uses)	<u>-</u>	<u>294</u>	<u>-</u>	<u>(919)</u>	<u>(625)</u>
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	43,524	(300,109)	-	(919)	(257,504)
Fund Balance 1/1/2009	61,798	406,118	\$ 24,998	673	493,587
Fund Balance 12/31/2009	<u>\$ 105,322</u>	<u>\$ 106,009</u>	<u>\$ 24,998</u>	<u>\$ (246)</u>	<u>\$ 236,083</u>
Reserve for Encumbrances December 31, 2009	<u>\$ 14,418</u>	<u>\$ 38,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,596</u>

See accompanying Notes to the Financial Statements.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types			Fiduciary Fund Types	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency Fund	
Receipts:					
Property and Other Local Taxes	\$ 181,471	\$ 1,121,151	-	-	\$ 1,302,622
Intergovernmental	90,138	132,851	-	-	222,989
Charges for Services	-	161,094	-	-	161,094
Fines, Licenses, Permits and Fees	34,779	80,239	-	-	115,018
Special Assessments	-	95,666	-	-	95,666
Interest	41	-	-	-	41
Miscellaneous	27,728	4,706	-	-	32,434
Total Receipts	334,157	1,595,707	-	-	1,929,864
Disbursements:					
Current:					
General Government	200,139	82,476	-	-	282,615
Public Safety	12,042	1,220,537	-	-	1,232,579
Public Health Services	700	4,532	-	-	5,232
Public Works	-	567,856	-	-	567,856
Conservation/Recreation	337	-	-	-	337
Capital Outlay	-	108,652	-	-	108,652
Debt Service:					
Redemption of Principal	7,000	46,720	-	-	53,720
Interest and Fiscal Charges	11,288	34,324	-	-	45,612
Total Disbursements	231,506	2,065,097	-	-	2,296,603
Total Receipts Over(Under) Disbursements	102,651	(469,390)	-	-	(366,739)
Other Financing Sources (Uses)					
Other Financing Sources	1,532	-	-	-	1,532
Other Financing Uses	(7,223)	-	-	\$ (8,000)	(15,223)
Total Other Financing Sources (Uses)	(5,691)	-	-	(8,000)	(13,691)
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	96,960	(469,390)	-	(8,000)	(380,430)
Fund Balance 1/1/2008	(35,162)	875,508	\$ 24,998	8,673	874,017
Fund Balance 12/31/2008	\$ 61,798	\$ 406,118	\$ 24,998	\$ 673	\$ 493,587
Reserve for Encumbrances December 31, 2008	\$ 10,798	\$ 26,976	\$ -	\$ -	\$ 37,774

See accompanying Notes to the Financial Statements.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Jefferson Township, Montgomery County (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by publicly-elected three-member Board of Trustees. The Township provides general governmental services, road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the Montgomery County Sheriff's Office to provide security of persons and property.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

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

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

C. CASH

The Township maintains an interest bearing checking account.

D. FUND ACCOUNTING

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

- Police Fund – This fund receives property tax money to provide police protection for Township residents by contracting with the Montgomery County Sheriff's Office.
- Fire Fund – This fund receives property tax money to provide fire protection services to Township residents.
- Road And Bridge Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.
- Miscellaneous Special Revenue Fund – This fund receives state and local grant monies for various projects.

Capital Projects Fund: These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Projects Fund:

- Permanent Improvement Fund – This fund received monies from note and bond proceeds and these funds were utilized for the construction of a new Township building and fire station.

Agency Fund: Agency fund is purely custodial in nature and is used to hold resources for individuals, organizations or other governments.

- Burned Down Structures Fund – This fund received monies from insurance companies and reimburses residents when their buildings are fixed.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The certificate is approved by the county budget commission and sent to the Township Clerk by September 1.

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2009 and 2008. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

3. Encumbrances

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The Board approved appropriations at the entity-wide level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$ 236,083	\$ 493,587

Deposits: Deposits are either insured by (1) the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

3. PROPERTY TAX

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. Tangible personal property taxes were phased out through 2009.

The Montgomery County Treasurer collects property tax on behalf of all taxing Townships within the county. The Montgomery County Auditor periodically remits to the taxing Township their portions of the taxes collected.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

<u>Fund</u>	<u>2009 Budgeted vs Actual Receipts</u>		
	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 203,273	\$ 317,394	\$ 114,121
Special Revenue Funds	1,046,774	1,646,095	599,321
Capital Projects Fund	-0-	-0-	-0-

<u>Fund</u>	<u>2009 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 228,600	\$ 288,288	\$ (59,688)
Special Revenue Funds	1,792,748	1,984,382	(191,634)
Capital Projects Fund	-0-	-0-	-0-

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

4. BUDGETARY ACTIVITY – (Continued)

Fund	<u>2008 Budgeted vs Actual Receipts</u>		
	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 99,498	\$ 335,689	\$ 236,191
Special Revenue Funds	-0-	1,595,707	1,595,707
Capital Projects Fund	-0-	-0-	-0-

Fund	<u>2008 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 194,852	\$ 249,527	\$ (54,675)
Special Revenue Funds	1,865,932	2,092,073	(226,141)
Capital Projects Fund	30,542	-0-	30,542

5. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2008, OPERS members contributed 10 percent of their wages. During 2009 and 2008 the Village contributed an amount equal to 14 percent of participants' gross wages. The Village has paid all contributions required through December 31, 2009.

6. SOCIAL SECURITY

Some of the Village's elected officials belong to the Social Security Administration and pay FICA taxes.

FICA contribution rates are approved by the United States Congress. Members of FICA contributed 6.2% of their wages to FICA. The Village also contributed an amount equal to 6.2% of their wages.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

7. RISK MANAGEMENT

RISK POOL MEMBERSHIP

The Township is exposed to various risks of property and casualty losses, and injuries employees. The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (latest information available):

	2008	2007
Assets	\$40,737,740	\$43,210,703
Liabilities	(12,981,818)	(13,357,837)
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

7. RISK MANAGEMENT – (Continued)

At December 31, 2008 and 2007, respectively, liabilities noted above include approximately \$12.1 million and \$12.5 million of estimated incurred claims payable. The assets and net assets above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, 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 \$29,000.

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 OTARMA	to	
2007		\$ 28,072
2008		\$ 30,179
2009		\$ 28,922

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 budgetary contribution. Withdrawing members have no future obligation to the pool. Also upon withdrawal, payments for all casualty and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to withdrawal.

8. DEBT

Debt outstanding at December 31, 2009 was as follow:

	<u>2009</u>	<u>Interest Rate</u>
Township Building Bonds	\$ 425,000	4.625%
Fire Station Bonds	285,000	4.625%
Fire Truck Lease	<u>321,512</u>	4.205%
Total	<u>\$ 1,031,512</u>	

The Township issued the two bonds to finance the construction of the Township Building and fire station. The Township entered into a capitalized lease for three (3) fire trucks during 2005. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

8. DEBT – (Continued)

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

Year ending December 31:	General Obligation Bonds	Capitalized Lease
2010	\$ 50,451	\$ 71,313
2011	50,451	71,313
2012	50,451	71,313
2013	50,451	71,313
2014	50,451	71,313
2015 – 2019	252,255	-0-
2020 – 2024	252,255	-0-
2025 – 2029	252,255	-0-
2030 – 2032	<u>152,353</u>	<u>-0-</u>
Total	<u>\$1,161,373</u>	<u>\$ 356,565</u>

9. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

10. BUDGETARY NONCOMPLIANCE

The Township had the following material citations for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41(B)**, the Township had expenditures that exceeded appropriations.
- Contrary to **Ohio Rev. Code Section 5705.39**, the Township had appropriations in excess of estimated resources.
- Contrary to **Ohio Rev. Code Section 5705.10**, the Township had negative fund balances in various funds.
- Contrary to **Ohio Rev. Code Section 5705.14, 5705.15 and 5705.16**, the Township Board did not approve fund transfers.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Jefferson Township, Montgomery County
One Business Park Drive
Dayton, Ohio 45427

To the Board of Trustees:

We have audited the financial statements of Jefferson Township, Montgomery County, Ohio (Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated October 6, 2010, wherein we noted the Township followed accounting practices prescribed or permitted by the Auditor of State of Ohio. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-JTMC-001, 2009-JTMC-005, 2009-JTMC-006 and 2009-JTMC-007 described in the accompanying schedule of findings to be material weaknesses.

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 several instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2009-JTMC-002, 2009-JTMC-003, 2009-JTMC-004, 2009-JTMC-007 and 2009-JTMC-008.

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 noted certain matters that we have reported to management of the Township in a separate letter dated October 6, 2010.

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

Charles E. Harris & Associates, Inc.

October 6, 2010

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 & 2008**

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

FINDING NUMBER 2009-JTMC-001

Material Weakness - Bank Reconciliations

As an established control procedure, the former and current Fiscal Officers performed bank to book reconciliations on a monthly basis. Numerous errors were found in these reconciliation reports during the audit; the errors have caused variances between the cashbook fund balance and bank balance. The Township had a large amount of outstanding checks on its monthly bank reconciliations. The amount of checks listed as outstanding at December 31, 2008 were \$202,864. The Township checks were void if not cashed within 60 days. We found the actual outstanding checks, at December 31, 2008 were \$190,882. The old stale checks had to be restored to cash thus causing the financial statements to be adjusted accordingly. These differences were evaluated and found to be the result of improper and unrecorded accounting entries and did not appear to be the result of improprieties. The Township agreed and has adjusted its records accordingly.

Many of the checks were written in the system but never sent to the various vendors. This has caused the Township to carry lower cash balances and to fall behind in payments to many vendors and taxing authorities. The Township is currently contacting vendors and taxing authorities and paying the resulting delinquent amounts. This is a repeat from the previous audit.

The monthly bank reconciliations should be presented and reviewed by someone other than the person performing the reconciliation, such as a member of the Township Trustees. The individual(s) should review the monthly reconciliations to provide assurance that the amounts reported are accurate. The individual(s) also should sign and date the reconciliations as evidence the review has been performed. Management should also determine that written checks are properly mailed.

The Township Trustees have indicated they will closely review the monthly bank reconciliations.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2009 & 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)
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FINDING NUMBER 2009-JTMC-002

Noncompliance Citation

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund shall not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Township obtains the County Auditor’s certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During the year-end December 31, 2009, total appropriations and encumbrances exceeded total estimated resources at year-end as follows:

Fund	Estimated Available Resources	Appropriations	Variance
Special Revenue Funds:			
Motor Vehicle License Tax fund	\$ 28,731	\$ 30,000	\$ (1,269)
Road & Bridge	461,755	534,600	(72,845)
Fire District Fund	345,942	376,048	(30,106)
Gasoline Tax Fund	76,018	92,200	(16,182)
Cemetery Fund	2,147	5,000	(2,853)
Zoning	255	5,900	(5,645)
Ambulance & EMS	(7,946)	179,000	(186,946)
Police District Fund	490,399	520,000	(29,601)

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2009 & 2008**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)**

**FINDING NUMBER 2009-JTMC-002
Noncompliance Citation (Continued)**

During the year-end December 31, 2008, total appropriations and encumbrances exceeded total estimated resources at year-end as follows:

Fund	Estimated Available Resources	Appropriations	Variance
General Fund	\$ 64,336	\$ 194,852	\$ (141,314)
Special Revenue Funds:			
Fire District Fund	76,342	369,021	(299,181)
Lighting Assessment	58,564	104,761	(46,197)
Road & Bridge	290,928	429,934	(154,814)
Police District	295,194	681,821	(386,627)
Zoning	5,436	9,836	(4,500)
Ambulance & EMS	26,737	149,561	(127,390)
Cemetery Fund	4,079	7,008	(2,929)
Capital Projects Fund:			
Permanent Improvement	24,998	30,542	(5,544)

Although the County Auditor certified the beginning balances for 2008, the Fiscal Officer did not request certification for estimated receipts. The failure to do so limits the Total Estimated Available Resources for appropriations to opening unencumbered fund balances.

The Clerk will review all budgetary requirements and implement as necessary.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2009 & 2008**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)**

**FINDING NUMBER 2009-JTMC-003
Noncompliance Citation**

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

We noted the following funds had expenditures plus encumbrances that exceeded appropriations at December 31, 2009:

Fund	Approved Appropriations	Budgetary Expenditures	Variance
General Fund	\$ 228,600	\$ 288,288	\$ (59,688)
Special Revenue Funds:			
Motor Vehicle License Tax Fund	30,000	43,153	(13,153)
Police District	520,000	550,853	(30,853)
Fire District Fund	376,048	398,572	(22,524)
Ambulance & EMS Fund	179,000	187,882	(8,882)
Lighting Assessment	50,000	243,622	(193,622)

We noted the following funds had expenditures plus encumbrances that exceeded appropriations at December 31, 2008:

Fund	Approved Appropriations	Budgetary Expenditures	Variance
General Fund	\$ 194,852	\$ 249,527	\$ (54,675)
Special Revenue Funds:			
Motor Vehicle License Tax Fund	12,054	14,474	(2,420)
Road & Bridge Fund	429,934	474,420	(44,486)
Fire District Fund	369,021	453,748	(84,727)
Ambulance & EMS Fund	149,561	205,040	(55,479)
Zoning Fund	9,836	82,576	(72,740)

The Clerk should deny payment requests exceeding appropriations, as required by Ohio Rev. Code Section 5705.41(B). We recommend the Board and the Clerk compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

The Clerk will review budgetary requirements and implement as necessary.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2009 & 2008**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</p>

FINDING NUMBER 2009-JTMC-004

Noncompliance Citation –Negative Fund Balances

Ohio Revised Code Section 5705.10 prohibits the Township from having negative fund balances. The Police District, Fire District, Ambulance & EMS and Agency Funds were found to have a negative cash fund balances at December 31, 2009. The Ambulance & EMS Fund also had a negative cash fund balance at December 31, 2008.

The Clerk will review various options to eliminate negative cash fund balances.

FINDING NUMBER 2009-JTMC-005

Material Weakness - Budgetary Entries in UAN System

The budgetary entries in the UAN system did not reconcile with the amended certificates of estimated resources or approved appropriation resolutions passed by the Board of Trustees. Therefore, the Board cannot properly monitor Township expenditures and receipts and management cannot adequately monitor budgetary regulations.

We recommend that the Clerk post all budgetary information to the computer system on a regular basis. This will enhance the Township's ability to monitor all budgetary receipts and expenditures in comparison to actual receipts and expenditures.

The Clerk will receive additional UAN system training.

FINDING NUMBER 2009-JTMC-006

Material Weakness - Incorrect Accounting Transactions

During the audit of the Township's financial records for the years ended December 31, 2009 and 2008 we noted a number of transactions incorrectly recorded and a number of receipts and disbursements incorrectly reported in the annual financial reports. The financial statements and Township's records have been adjusted to present the accounting information correctly.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2009 & 2008**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</p>

**FINDING NUMBER 2009-JTMC-006
Material Weakness-(Continued)**

The Township has agreed with the required reclassifications and adjustments. Below is a listing of the various erroneous accounting transactions:

- OPERS payments were not recorded;
- Payroll tax distributions were not recorded;
- During 2008, the Township incorrectly recorded the opening of a bank account as a fund transfer.

We recommend that the Township closely follow the Ohio Township Handbook and the Ohio Revised Code when recording transactions. We also recommend that the Clerk contact the Auditor of State for additional guidance as needed.

The Clerk will follow the Ohio Township Handbook to correctly record all transactions.

FINDING NUMBER 2009-JTMC-007

Material Weakness - Noncompliance Citation

Ohio Rev. Code Section 5705.14, 5705.15, and 5705.16 states that no transfer can be made from one fund of a subdivision to any other fund, except money may be transferred from the general fund to any fund of the subdivision by resolution of the taxing authority or from one fund to another as is specifically authorized in Ohio Rev. Code Section 5705.14. The Township transferred money from the General Fund to the Ambulance and EMS Fund in 2008 and to the Police District Fund in 2009. The Board of Trustees did not approve resolutions authorizing either transfer. The transfers were adjusted in the financial statements and the Township's records.

We recommend the Township refer to the Ohio Revised Code Section 5705.14 prior to making transfers and make transfers accordingly.

The Clerk will seek a Board resolution approving all transfers.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2009 & 2008**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</p>

FINDING NUMBER 2009-JTMC-008

Noncompliance Citation

Ohio Rev. Code § 5705.38(C) requires the Township’s appropriation measure to be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.

The Township’s appropriation resolution did not set forth the amounts for each office, department, and division and the personal services for each. Rather, the Board of Trustees approved appropriations at the entity-wide level and retained a breakdown of the fund/function and object level in a separate file. We could not prove that the separate file was part of the formal appropriation resolution.

We recommend that the Township expand its appropriation resolution to the department, division and the personal services for each.

The Township will expand future appropriation resolutions to the department, division and the personal services for each.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-JTMC-001	Contrary to Ohio Rev. Code Section 5705.41(D), Township did not certify the availability of funds before contracting to procure goods and services.	Yes	No longer valid.
2007-JTMC-002	Township did not properly prepare bank reconciliations.	No	Repeated as finding # 2009-JTMC-001.
2007-JTMC-003	The Township did not deposit several checks in a timely fashion contrary to Ohio Revised Code Section 9.38.	Yes	No longer valid.
2007-JTMC-004	Contrary to Ohio Rev. Code Section 5705.41(B), the Township had budgetary expenditures in excess of appropriations.	No	Repeated as finding # 2009-JTMC-003.
2007-JTMC-005	Contrary to Ohio Rev. Code Section 5705.39, the Township had appropriations in excess of estimated resources.	No	Repeated as finding # 2009-JTMC-002.
2007-JTMC-006	The Township had missing supporting documentation.	Yes	No longer valid.
2007-JTMC-007	Contrary to Ohio Rev. Code Section 5705.10, the Township had negative cash balances in its General Fund.	No	Repeated as finding # 2009-JTMC-004.
2007-JTMC-008	The Township did not correctly enter budgetary entries into the UAN System.	No	Repeated as finding # 2009-JTMC-005.



Mary Taylor, CPA
Auditor of State

JEFFERSON TOWNSHIP

MONTGOMERY 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
DECEMBER 7, 2010**