

JEFFERSON TOWNSHIP

FAYETTE COUNTY

REGULAR AUDIT

JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

YEARS AUDITED UNDER GAGAS: 2007 AND 2006

CAUDILL & ASSOCIATES CPA's

725 5th Street
Portsmouth, Ohio 45662



Mary Taylor, CPA

Auditor of State

Board of Trustees
Jefferson Township
14338 St. Rt. 729 NW
Jeffersonville, Ohio 43128

We have reviewed the *Independent Auditor's Report* of Jefferson Township, Fayette County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Mary Taylor, CPA
Auditor of State

December 23, 2008

This Page is Intentionally Left Blank.

**JEFFERSON TOWNSHIP
FAYETTE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006	4
Notes to the Financial Statements	5
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	13
Schedule of Findings and Responses.....	15
Status of Prior Audit Findings.....	17

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Independent Auditor's Report

Board of Trustees
Jefferson Township
Fayette County
14338 St. Rt. 729 NW
Jeffersonville, Ohio 43128

We have audited the accompanying financial statements of Jefferson Township (the Township), Fayette County, Ohio, 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 obtain reasonable assurance about 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, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2007 and 2006. 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 this 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, 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 the Township 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.

Jefferson Township
Fayette County
Independent Auditor's Report

The aforementioned revision to generally accepted accounting principles also require the Township to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Caudill & Associates, CPAs

Caudill & Associates, CPA's

July 18, 2008

**JEFFERSON TOWNSHIP
FAYETTE 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, 2007**

	<u>Governmental Fund Types</u>			<u>Fiduciary</u>	<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Private Purpose Trust</u>	<u>(Memorandum Only)</u>
<u>Cash Receipts:</u>					
Property and Other Taxes	\$ 56,140	\$ 165,151	\$ 88,893	\$ -	\$ 310,184
Charges for Services	-	7,300	-	-	7,300
Fines Licenses & Permit	-	11,918	-	-	11,918
Intergovernmental	30,173	118,062	-	-	148,235
Earnings on Investments	297	753	-	23	1,073
Miscellaneous	534	12,714	-	-	13,248
Total Cash Receipts	<u>87,144</u>	<u>315,898</u>	<u>88,893</u>	<u>23</u>	<u>491,958</u>
<u>Cash Disbursements:</u>					
General Government	83,296	9,999	-	-	93,295
Public Safety	-	70,390	-	-	70,390
Public Works	1,055	126,359	-	-	127,414
Health	21,836	1,160	-	-	22,996
Conservation/Recreation	2,000	-	-	-	2,000
Capital Outlay	-	14,440	-	-	14,440
Debt Service:					
Redemption of Principal	-	-	54,029	-	54,029
Interest and Other Fiscal Changes	-	-	5,735	-	5,735
Total Cash Disbursements	<u>108,187</u>	<u>222,348</u>	<u>59,764</u>	<u>-</u>	<u>390,299</u>
Total Receipts Over (Under) Disbursements	<u>(21,043)</u>	<u>93,550</u>	<u>29,129</u>	<u>23</u>	<u>101,659</u>
<u>Other Financing Receipts/(Disbursements):</u>					
Transfers In	75,000	-	-	-	75,000
Transfers Out	-	(75,000)	-	-	(75,000)
Total Other Financing Receipts (Disbursements)	<u>75,000</u>	<u>(75,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	53,957	18,550	29,129	23	101,659
Fund Cash Balances, January 1	<u>75,265</u>	<u>521,804</u>	<u>33,946</u>	<u>1,815</u>	<u>632,830</u>
Fund Cash Balances, December 31	<u>\$ 129,222</u>	<u>\$ 540,354</u>	<u>\$ 63,075</u>	<u>\$ 1,838</u>	<u>\$ 734,489</u>

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

**JEFFERSON TOWNSHIP
FAYETTE 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, 2006**

	<u>Governmental Fund Types</u>			<u>Fiduciary</u>	<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Private Purpose Trust</u>	<u>(Memorandum Only)</u>
<u>Cash Receipts:</u>					
Property and Other Taxes	\$ 27,978	\$ 138,209	\$ 93,778	\$ -	\$ 259,965
Charges for Services		7,300	-	-	7,300
Fines Licenses & Permit	-	11,714	-	-	11,714
Intergovernmental	18,320	114,791	-	-	133,111
Earnings on Investments	1,012	-	-	22	1,034
Miscellaneous	1,136	12,753	-	-	13,889
Total Cash Receipts	<u>48,446</u>	<u>284,767</u>	<u>93,778</u>	<u>22</u>	<u>427,013</u>
<u>Cash Disbursements:</u>					
General Government	86,793	9,842	-	-	96,635
Public Safety	-	61,836	-	-	61,836
Public Works	1,021	154,453	-	-	155,474
Health	6,042	26,994	-	-	33,036
Conservation/Recreation	2,000	-	-	-	2,000
Capital Outlay	13,903	12,958	-	-	26,861
Debt Service:					
Redemption of Principal	-	-	119,685	-	119,685
Interest and Other Fiscal Changes	-	-	11,798	-	11,798
Total Cash Disbursements	<u>109,759</u>	<u>266,083</u>	<u>131,483</u>	<u>-</u>	<u>507,325</u>
Total Receipts Over (Under) Disbursements	<u>(61,313)</u>	<u>18,684</u>	<u>(37,705)</u>	<u>22</u>	<u>(80,312)</u>
<u>Other Financing Receipts/(Disbursements):</u>					
Transfers In	75,000	-	-	-	75,000
Transfers Out	-	(75,000)	-	-	(75,000)
Advances In	-	9,399	9,399	-	18,798
Advances Out	-	(9,399)	(9,399)	-	(18,798)
Total Other Financing Receipts (Disbursements)	<u>75,000</u>	<u>(75,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	13,687	(56,316)	(37,705)	22	(80,312)
Restated Fund Cash Balances, January 1	<u>61,578</u>	<u>578,120</u>	<u>71,651</u>	<u>1,793</u>	<u>713,142</u>
Fund Cash Balances, December 31	<u>\$ 75,265</u>	<u>\$ 521,804</u>	<u>\$ 33,946</u>	<u>\$ 1,815</u>	<u>\$ 632,830</u>

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

**JEFFERSON TOWNSHIP
FAYETTE 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 the Jefferson Township, Fayette County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides roads and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with Fayette County EMS, to provide ambulance service.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. 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 and Investments

The Township invests all available funds, except the Trust Fund, in a public fund NOW checking account with a local government bank. The Trust Fund is deposited in a savings account and invested in a U.S. savings bond. Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as disbursements. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. The savings bond is valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are 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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

**JEFFERSON TOWNSHIP
FAYETTE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fire District Fund – This fund receives tax levy money to pay for costs related to providing fire protection services.

3. Debt Service Fund

This fund accounts for resources the Township accumulates to pay bond and note debt.

4. Fiduciary Fund

This fund accounts for resources restricted by legally binding trust agreements. The Cemetery Trust fund is used to account for the funds held in trust for specific uses in the cemetery. Only the interest earnings can be expended on select individuals. This account was reclassified from the Permanent Fund in 2006 (See note 10).

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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Township 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 cancelled, and reappropriated in the subsequent year.

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

**JEFFERSON TOWNSHIP
FAYETTE COUNTY**

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

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2006	2007
Demand deposits	\$ 632,330	\$ 733,989
U.S. Savings Bond	500	500
Total deposits and investments	\$ 632,830	\$ 734,489

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

3. BUDGETARY ACTIVITY

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

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 161,190	\$ 162,144	\$ 954
Special Revenue	296,882	315,898	19,016
Debt Service	88,972	88,893	(79)
Permanent	20	23	3
Total	\$ 547,064	\$ 566,958	\$ 19,894

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 237,224	\$ 108,187	\$ 129,037
Special Revenue	813,181	297,348	515,833
Debt Service	67,000	59,764	7,236
Permanent	301	0	301
Total	\$ 1,117,706	\$ 465,299	\$ 652,407

**JEFFERSON TOWNSHIP
FAYETTE COUNTY**

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

3. BUDGETARY ACTIVITY (CONTINUED)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 112,940	\$ 123,446	\$ 10,506
Special Revenue	265,561	294,166	28,605
Debt Service	85,540	103,177	17,637
Permanent	20	22	2
Total	\$ 464,061	\$ 520,811	\$ 56,750

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 175,348	\$ 109,759	\$ 65,589
Special Revenue	842,862	350,482	492,380
Debt Service	157,191	140,882	16,309
Permanent	282	0	282
Total	\$ 1,175,683	\$ 601,123	\$ 574,560

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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 State pays the Township amounts equaling these deductions. The Township includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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
FAYETTE COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Township Building Note	\$42,355	4.60%
Dump Truck Bond	39,465	3.58%
Total Long-term Debt	\$81,820	

The Township building note was issued in 1999 for a period of nine years to finance the construction of a new building to house fire equipment. The dump truck bond was issued in 2004 for a period of five years to finance the purchase of a dump truck and related equipment. The note and bonds are collateralized solely by the Township's taxing authority.

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

	Township Building Notes	Dump Truck Bond
Year ending December 31:		
2008	\$41,308	\$22,322
2009	-	\$22,321
Totals	\$41,308	\$44,642

6. RETIREMENT SYSTEMS

The Township's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9.0 percent of their gross wages, respectively, and the Township contributed an amount equaling 13.85 and 13.70 percent, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

7. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

**JEFFERSON TOWNSHIP
FAYETTE COUNTY**

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

7. RISK MANAGEMENT (CONTINUED)

Casualty Coverage

For an Occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000 up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,695,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to annual aggregate loss payments. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 (latest information available) was \$2,014,548.

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

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,706	\$ 42,042,275
Liabilities	(13,357,837)	(12,120,661)
Retained Earnings	<u>\$29,852,869</u>	<u>\$ 29,921,614</u>

**JEFFERSON TOWNSHIP
FAYETTE COUNTY**

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

7. RISK MANAGEMENT (CONTINUED)

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$28,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA

2006	\$13,803
2007	\$11,422

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 other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. COMPLIANCE

Contrary to Ohio Rev. Code Section 5705.39, the Township made appropriations in excess of the total estimated resources available for appropriation concerning the General Fund in 2006 and 2007, and the Road and Bridge Fund in 2007.

Contrary to Ohio Rev. Code Section 5705.41 (D), the Township did not properly certify disbursements in 2006 and 2007.

9. TRANSFERS AND ADVANCES

Transfers are used to move revenues from funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide Additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; and to transfer capital assets.

In 2006 and 2007, the Township obtained a court order to transfer \$75,000 each year from the Road and Bridge Fund to the General Fund to cover expenses that can only be paid out of the General Fund. The expenses listed in the court order included salaries, utilities, and insurance.

In 2006, an advance, in the amount of \$9,399, was made from the Fire District Fund to the Debt Service Fund to make the principle and interest payment on the Firehouse. The advance was repaid in the same year from the Debt Service Fund.

**JEFFERSON TOWNSHIP
FAYETTE COUNTY**

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

10. RESTATEMENT OF FUND BALANCE

The January 1, 2006 balance of the Permanent Fund was decreased by \$1,793 and the balance of the Private Purpose Trust Fund was increased by \$1,793 to allocate private cemetery bequests.

	Permanent Fund	Private Purpose Trust Fund
Fund Balance at 12/31/05	\$1,793	\$0
Adjustment	(1,793)	1,793
Adjusted Fund Balance at 1/1/06	\$0	\$1,793

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

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

Board of Trustees
Jefferson Township
Fayette County
14338 St. Rt. 729 NW
Jeffersonville, Ohio 43128

We have audited the accompanying financial statements of Jefferson Township, Fayette County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's financial statements, and have issued our report dated July 18, 2008, wherein we noted the Township uses accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Township's internal control over financial reporting. Accordingly, we do not express an opinion 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 to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned 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 a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting as item 2007-003.

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

Jefferson Township

Fayette County

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. The significant deficiency reported is not a material weakness in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 2007-001 and 2007-002.

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

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

Caudill & Associates, CPAs

Caudill & Associates, CPA's

July 18, 2008

**JEFFERSON TOWNSHIP
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Noncompliance Citation

The Ohio Revised Code Section 5705.39 requires in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

In Fiscal Year 2007, the Road and Bridge Fund was appropriated in excess of its estimated resources. In 2006 and 2007 the General Fund was appropriated in excess of its estimated resources.

Township Response:

The Township will monitor budgetary more closely. The Township currently holds meetings to set appropriations and will monitor changes as they occur.

FINDING NUMBER 2007-002

Noncompliance– Prior Certification of Disbursements

Ohio Rev. Code, Section 5705.41 (D), requires that 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 that 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.

This Section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 dollars (which was changed to \$3,000, effective April 7, 2003), the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

In 2006 and 2007, \$18,886 and \$25,365, respectively, of expenditures were not certified prior to the purchase commitment being made. By not certifying funds prior to a purchase commitment, this may cause the Township to obligate money it does not have.

We recommend the Township certify funds prior to an obligation being incurred.

**JEFFERSON TOWNSHIP
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-002 (Continued)

Township Response:

The Township Fiscal Officer will make an effort to monitor expenditures more closely and attempt to certify disbursements prior to the purchase commitment being made.

FINDING NUMBER 2007-003

Significant Deficiency – Posting of Receipts

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for auditor during a financial statements audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the audit to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

During 2007 and 2006, the Township erroneously posted property tax receipts as Sale of Notes, and Sale of Bonds in the Debt Service Fund. This required reclassifications to properly present the activity of the Township for both years.

We recommend the Township implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Township Response:

The Township will create the proper classifications for posting for all future entries.

**JEFFERSON TOWNSHIP
FAYETTE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-001	ORC Section 5705.41 (D), Prior Certification of Disbursements	No	Reissued as Finding 2007-002
2005-002	ORC Section 5705.39 Appropriations exceeding estimated resources	No	Reissued as Finding 2007-001



Mary Taylor, CPA
Auditor of State

JEFFERSON TOWNSHIP

FAYETTE 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
JANUARY 6, 2009**