

***JEFFERSON TOWNSHIP  
JACKSON COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007***

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





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Jefferson Township  
1246 Antioch Road  
Oak Hill, OH 45656

We have reviewed the *Report of Independent Accountants* of Jefferson Township, Jackson County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2007 through December 31, 2008. 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 17, 2009

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**JEFFERSON TOWNSHIP  
JACKSON COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2008 & 2007**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Jefferson Township  
Jackson County  
1246 Antioch Road  
Oak Hill, Ohio 45656

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. 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, 2008 and 2007. Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2007. 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, 2008 and 2007, 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, 2008 and 2007, 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, Jackson County, as of December 31, 2008 and 2007, and its combined 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, 2008 and 2007. 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 September 23, 2009, 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, 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.

***Charles E. Harris & Associates, Inc.***

September 23, 2009



JEFFERSON TOWNSHIP  
 JACKSON COUNTY, OHIO  
 COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN FUND CASH BALANCES  
 All Governmental Fund Types  
 For the Year Ended December 31, 2008

	Governmental Fund Types			Totals- (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Receipts:</b>				
Property and Local Taxes	\$ 19,892	\$ 15,676	\$ 106,898	\$ 142,466
Intergovernmental	45,066	102,396	-	147,462
Earnings on Investments	282	159	-	441
Miscellaneous	1,640	315	-	1,955
<b>Total Receipts</b>	<b>66,880</b>	<b>118,546</b>	<b>106,898</b>	<b>292,324</b>
<b>Disbursements:</b>				
General Government	36,945	-	-	36,945
Public Safety	-	1,474	-	1,474
Public Works	-	181,210	-	181,210
Capital Outlay	-	-	59,733	59,733
Debt Service:				
Principal	-	15,889	251,376	267,265
Interest	-	1,897	8,531	10,428
<b>Total Disbursements</b>	<b>36,945</b>	<b>200,470</b>	<b>319,640</b>	<b>557,055</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>29,935</b>	<b>(81,924)</b>	<b>(212,742)</b>	<b>(264,731)</b>
<b>Other Financing Sources/(Uses):</b>				
Loan Proceeds	-	-	233,807	233,807
<b>Total Other Financing Sources/(Uses)</b>	<b>-</b>	<b>-</b>	<b>233,807</b>	<b>233,807</b>
<b>Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses</b>	<b>29,935</b>	<b>(81,924)</b>	<b>21,065</b>	<b>(30,924)</b>
<b>Fund Cash Balance, January 1,</b>	<b>38,246</b>	<b>144,504</b>	<b>20,600</b>	<b>203,350</b>
<b>Fund Cash Balance, December 31,</b>	<b>\$ 68,181</b>	<b>\$ 62,580</b>	<b>\$ 41,665</b>	<b>\$ 172,426</b>

See Accompanying Notes to the Financial Statements.

**JEFFERSON TOWNSHIP  
JACKSON COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, 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	Capital Projects	
<b>Receipts:</b>				
Property and Local Taxes	\$ 26,476	\$ 36,682	\$ 110,488	\$ 173,646
Intergovernmental	42,906	102,171	-	145,077
Earnings on Investments	258	208	-	466
Miscellaneous	3,731	176	-	3,907
<b>Total Receipts</b>	<u>73,371</u>	<u>139,237</u>	<u>110,488</u>	<u>323,096</u>
<b>Disbursements:</b>				
General Government	54,774	-	-	54,774
Public Works	-	155,249	-	155,249
Capital Outlay	-	-	14,012	14,012
Debt Service:				
Principal	-	15,889	92,335	108,224
Interest	-	921	10,665	11,586
<b>Total Disbursements</b>	<u>54,774</u>	<u>172,059</u>	<u>117,012</u>	<u>343,845</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>18,597</b>	<b>(32,822)</b>	<b>(6,524)</b>	<b>(20,749)</b>
<b>Fund Cash Balance, January 1,</b>	<u>19,649</u>	<u>177,326</u>	<u>27,124</u>	<u>224,099</u>
<b>Fund Cash Balance, December 31,</b>	<u>\$ 38,246</u>	<u>\$ 144,504</u>	<u>\$ 20,600</u>	<u>\$ 203,350</u>

See Accompanying Notes to the Financial Statements.

**JEFFERSON TOWNSHIP**  
**JACKSON COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Jefferson Township, Jackson 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 a publicly-elected three member Board of Trustees. The Township provides road and bridge maintenance and fire protection services. The Township is affiliated with the Madison-Jefferson Joint Fire District, a jointly governed organization.

The Township's management believes the 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 of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

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

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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

**JEFFERSON TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

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:

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 has the following significant Special Revenue funds:

- Gasoline Tax Fund-Receives gasoline excise taxes to pay for constructing, maintaining and repairing Township roads.
- Road and Bridge Fund-Receives property taxes for constructing, maintaining and repairing Township roads and bridges.

Capital Projects: This fund is used to account for resources to be used for the acquisition or construction of capital assets. The Township has the following significant Capital Projects Fund:

- Community Improvement Fund-Receives sales tax money for road repairs.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, approved by the Township 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.

**JEFFERSON TOWNSHIP**  
**JACKSON COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

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 Fiscal Officer 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 of estimated resources 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 Fiscal Officer 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 revenue increases or the Fiscal Officer identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2007 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.

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.

**JEFFERSON TOWNSHIP**  
**JACKSON COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS- (Continued)

The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbrances outstanding at year end are cancelled and re-appropriated in the subsequent year.

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>2008</u>	<u>2007</u>
Demand Deposits	<u>\$172,426</u>	<u>\$203,350</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

**JEFFERSON TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2008 and 2007**

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update.

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.

The State Board of Tax Equalization adjusts the tax rates for inflation. 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.

Public utilities are also taxed on personal and real property located within the Township. Tangible personal property tax is assessed on the property owners, who must file a list of such property to the County by each April 30.

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

<u>Fund:</u>	<u>2008 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$ 73,000	\$ 66,880	\$(6,120)
Special Revenue Funds	145,932	118,546	(27,386)
Capital Projects Funds	107,000	340,705	233,705

**JEFFERSON TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2008 and 2007**

4. BUDGETARY ACTIVITY – (Continued)

2008 Budgeted vs Actual Budgetary Basis Expenditures

<u>Fund:</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$106,000	\$36,945	12,536
Special Revenue Funds	270,900	200,470	70,430
Capital Projects Funds	125,000	319,640	(194,640)

2007 Budgeted vs Actual Receipts

<u>Fund:</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$81,000	\$73,371	\$ (7,629)
Special Revenue Funds	140,819	139,237	(1,582)
Capital Projects Funds	100,000	110,488	10,488

2007 Budgeted vs Actual Budgetary Basis Expenditures

<u>Fund:</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 105,000	\$ 54,774	\$50,226
Special Revenue Funds	200,500	172,059	28,441
Capital Projects Funds	120,000	117,012	2,988

The Township was in violation of Ohio Revised Code 5705.36(A)(4) regarding obtaining amended certificates of estimated resources and Ohio Revised Code 5705.41(B) which limits expenditures to amounts appropriated.

5. RETIREMENT SYSTEM

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

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 9.5% in 2007 and 10.0% in 2008 of their gross pay while the Township contributed an amount equal to 13.85% in 2007 and 14.00% in 2008 of covered payroll.

The Township paid all required contributions through 2008.



**JEFFERSON TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2008 and 2007**

6. 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.

**RISK POOL MEMBERSHIP**

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

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA. If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006).

Property Coverage

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 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 government.

**JEFFERSON TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2008 and 2007**

6. RISK MANAGEMENT – (Continued)

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years. Coverages have not decreased in the past year.

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	\$ 43,210,703	\$ 42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$ 29,852,866</u>	<u>\$ 29,921,614</u>

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 \$6,000. 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.

There have been no significant reductions in insurance coverage from the prior fiscal years and settled claims have not exceeded this commercial coverage in any of the last three years. The Township pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

**JEFFERSON TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2008 and 2007**

7. DEBT

Debt outstanding at December 31, 2008 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Road Improvement Note	\$156,510	4.35%
Equipment Loan	15,888	5.80%
Total	<u>\$172,398</u>	

The Road Improvement Note was issued to finance paving in 2005 and was refinanced in 2008 to include the purchase of a storage building. The note requires monthly installments of \$5,786 plus interest and matures in 2011.

The Equipment Loan was established in 2006 at an original cost of \$47,666 at 5.80% interest and is scheduled to mature in 2009. The loan is secured by equipment and is being repaid in annual installments of \$15,888, plus interest.

Principal and interest requirements for debt outstanding at December 31, 2008 is as follows:

<u>Year Ended</u>	<u>Road Improvement Note</u>	<u>Equipment Purchase</u>
2009	\$75,780	\$ 16,810
2010	\$75,780	-
2011	\$15,065	-
Total	<u>\$166,625</u>	<u>\$16,810</u>

8. JOINTLY GOVERNED ORGANIZATION

The Madison-Jefferson Joint Fire District, Jackson County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Fire District is directed by an appointed five-member Board of Trustees. Three members are appointed by the Fire Fighter's Association and one is appointed by each of the Townships (Madison and Jefferson Townships) which are members of the Fire District. The Fire District provides the community with fire protection. To obtain financial information, write to the Madison-Jefferson Joint Fire District, Sue Lambert- Clerk/Treasurer, 311 Madison Street, P.O. Box 330, Oak Hill, Ohio 45656.

**JEFFERSON TOWNSHIP**  
**JACKSON COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2008 and 2007**

9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

During the course of normal governmental operation the Township is subject to a variety of lawsuits. However, the Township is of the opinion that ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the Township.

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

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Jefferson Township  
Jackson County  
1246 Antioch Road  
Oak Hill, Ohio 45656

The Board of Trustees:

We have audited the financial statements of Jefferson Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 23, 2009, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 accounting practices the Auditor of State prescribes 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 deficiency described in the accompanying schedule of findings as item 2008-JEFF-01 to be a significant deficiency in internal control over financial reporting.

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.

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 considered to be material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

#### 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, grant agreements and other matters, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as 2008-JEFF-01 through 03.

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 also noted other matters that we have reported to management of the Township in a separate letter dated September 23, 2009.

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

***Charles E. Harris and Associates, Inc.***

September 23, 2009

JEFFERSON TOWNSHIP  
JACKSON COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007

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

Finding Number: 2008-JEFF-01

Non-Compliance and Material Weakness

Loan Refinancing/Equipment Purchase Not Recorded

Ohio Administrative Code Section 117-2-02(A) requires all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by the Ohio Administrative Code section 117-2-03.

Contrary to this requirement, in 2008 the Township failed to record the refinancing of an existing loan of \$181,807 and the purchase of a storage building in the amount of \$52,000 which was financed with said loan. Accordingly, both receipts and expenditures were understated in the amount of \$233,807. The financial statements have been adjusted to reflect the loan proceeds, and corresponding principal payment and capital outlay resulting from these transactions.

We recommend that future fixed asset purchases be recorded in the accounting records whether paid in cash or financed and that loan refinancing agreements be reflected in the accounting records.

Management Response

Management does not agree with the requirement of recording non-cash transactions in cash basis statements.

Finding Number: 2008-JEFF-02

Non-Compliance Citation

Amended Certificates Not Obtained

Ohio Rev. Code Section 5705.36(A)(3) requires obtaining an increased amended certificate if the legislative authority intends to appropriate and expend excess revenue. Ohio Rev. Code Section 5705.36(A)(4) requires a reduced amended certificate of estimated resources to be requested whenever the fiscal officer determines that revenue collected will be less than the amount in the official certificate of estimated resources and the deficiency will reduce available resources below the current level of appropriation. Also, this section requires an increased amended certificate if the fiscal officer intends to expend excess resources. Contrary to this requirement, an amended certificate of estimated resources was not obtained for the following funds:

JEFFERSON TOWNSHIP  
 JACKSON COUNTY  
 SCHEDULE OF FINDINGS - continued  
 DECEMBER 31, 2008 AND 2007

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

Finding Number: 2008-JEFF-02-(Continued)

<u>2008</u>				Amount
<u>Fund</u>	<u>Estimated</u>	<u>Revenue</u>	<u>Appropriations</u>	Exceeded
	<u>Receipts</u>	<u>Variance</u>	<u>Appropriations</u>	<u>Resources</u>
General	\$73,000	\$(6,120)	\$106,000	\$874
Special-Road & Bridge	\$49,132	\$(33,141)	\$79,500	\$18,326
CP-Community Improvement	\$107,000	\$233,705	\$125,000	N/A

<u>2007</u>				Amount
<u>Fund</u>	<u>Estimated</u>	<u>Revenue</u>	<u>Appropriations</u>	Exceeded
	<u>Receipts</u>	<u>Variance</u>	<u>Appropriations</u>	<u>Resources</u>
General	\$81,000	\$(7,629)	\$105,000	\$11,980

We noted that in each case, actual expenditures did not exceed the amount of available resources.

We recommend that management request a reduced amended certificate of estimated resources when they determine that receipts will be below their official certificate of estimated resources and the deficit reduces their estimated resources below the current level of appropriations. We further recommend that they request an increased amended certificate of estimated resources when they determine that the budgeted receipts will be more than the official certificate of estimated resources and they intend to appropriate and expend the excess revenue.

Management Response

We did not receive a response from management.



JEFFERSON TOWNSHIP  
 JACKSON COUNTY  
 SCHEDULE OF FINDINGS - continued  
 DECEMBER 31, 2008 AND 2007

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

Finding Number: 2008-JEFF-03

Non-Compliance Citation

Expenditures Exceeded Appropriations

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. Furthermore, Ohio Administrative Code 117-2-02 states that all local public offices should integrate the budgetary accounts, at the legal level of control which is the object level for all funds. The following fund had total expenditures plus encumbrances expended money in excess of appropriations at the fund level:

<u>2008</u>			
<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
Capital-Community Improvement	\$125,000	\$319,640	\$(194,640)

Since these funds were over appropriated at the fund level, the legal level of control violations were not disclosed.

The above noted compliance was the result of an audit adjustment to record the refinancing of a bank loan in the amount of \$181,807 and a related capital outlay in the amount of \$52,000.

We recommend appropriations be reviewed prior to proposed loan refinancing arrangements and fixed assets purchases. If additional appropriations are needed, then the Board and the Clerk should take the necessary steps to adopt supplemental appropriations, if possible to prevent expenditures from exceeding appropriations. We further recommend that the loan refinancing arrangements be reflected in the accounting records (principal payments and loan proceeds) as well as related capital outlays.

Management Response

Management does not agree with the requirement of recording non-cash transactions in cash basis statements.

**JEFFERSON TOWNSHIP  
 JACKSON COUNTY, OHIO  
 SCHEDULE OF PRIOR AUDIT FINDINGS  
 For the Years Ended December 31, 2008 and 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	ORC 5705.41(B)- Expenditures exceeded appropriations	No	Repeated as Finding 2008-JEFF-03



**Mary Taylor, CPA**  
Auditor of State

**JEFFERSON TOWNSHIP**

**JACKSON 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 1, 2009**