



**Mary Taylor, CPA**  
Auditor of State



JEFFERSON TOWNSHIP  
TUSCARAWAS COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Jefferson Township  
Tuscarawas County  
102 North Bridge Street  
Stone Creek, Ohio 43840

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Township, Tuscarawas County, Ohio, (the Township) as of and for the year ended December 31, 2009, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Township, Tuscarawas County, Ohio, as of December 31, 2009, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Gasoline Tax, Fire Operating Levy and Ambulance Levy, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 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 did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

July 9, 2010

Jefferson Township, Tuscarawas County

Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

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This discussion and analysis of Jefferson Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2009, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2009 are as follows:

Net assets of governmental activities increased \$35,963 or 43.6%. All funds contributed to the increase in cash and cash equivalents, except for the Ambulance Fund.

The Township's general receipts are primarily property taxes (\$106,140) and grants/entitlements (\$51,434). These receipts represent respectively 66.8% and 32.4% percent of the general receipts received for governmental activities during the year. Property tax collected in 2009 increased 5.7%, but grants/entitlements for 2009 decreased 1.2%, when compared to 2008.

The Township did recognize \$3,768 in Public Works, \$2,628 in FEMA and \$30,800 in CDBG funding during 2009.

The number of employees and equipment was consistent with the prior year.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

**Report Components**

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

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

Jefferson Township, Tuscarawas County

Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Township as a Whole**

The Statement of Net Assets and the Statement of Activities reflect how the Township did financially during 2009, within the limitations of cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the Township at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the Statement of Net Assets and the Statement of Activities, the Township consists of one type of activity:

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

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township were all governmental in 2009.

Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds include the General, Gasoline Tax, Ambulance Levy, Fire Operating Levy and CDBG Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.



Jefferson Township, Tuscarawas County

Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

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The Township did not have any Proprietary or Fiduciary Funds during 2009.

**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2009 compared to 2008 on a cash basis.

(Table 1)  
**Net Assets**

	Governmental Activities	
	2009	2008
<b>Assets</b>		
Cash and Cash Equivalents	\$118,459	\$82,497
Total Assets	<u>\$118,459</u>	<u>\$82,497</u>
<b>Net Assets</b>		
Restricted for:		
Other Purposes	\$100,914	\$74,511
Unrestricted	17,546	7,986
Total Net Assets	<u>\$118,460</u>	<u>\$82,497</u>

As mentioned previously, net assets of governmental activities increased \$35,963 or 43.6% during 2009. The primary reasons contributing to the decreases in cash balances are as follows:

- Trustees are sensitive to the current economic conditions and monitored expenditures very closely during 2009, due to the uncertainty of future receipts. Trustees also discussed replacing equipment in the future and this net asset position will facilitate this in the future.

Jefferson Township, Tuscarawas County

Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

Table 2 reflects the changes in net assets in 2009, with a comparative analysis to 2008 net assets:

(Table 2)

**Changes in Net Assets<sup>1</sup>**

	Governmental Activities 2009	Governmental Activities 2008	Total Change
Receipts:			
Program Receipts:			
Operating Grants and Contributions	\$140,132	\$104,031	\$36,101
Total Program Receipts	<u>140,132</u>	<u>104,031</u>	<u>36,101</u>
General Receipts:			
Property and Other Local Taxes	106,140	100,400	5,740
Grants and Entitlements Not Restricted to Specific Programs	51,434	52,058	(624)
Interest	703	1,698	(995)
Miscellaneous	524	865	(341)
Total General Receipts	<u>158,801</u>	<u>155,021</u>	<u>3,780</u>
Total Receipts	<u>298,933</u>	<u>259,052</u>	<u>39,881</u>
Disbursements:			
General Government	57,434	65,812	(8,378)
Public Safety	82,262	73,097	9,165
Public Works	122,992	117,738	5,254
Capital Outlay	282	5,815	(5,533)
Other		10,643	(10,643)
Total Disbursements	<u>262,970</u>	<u>273,105</u>	<u>(10,135)</u>
Excess (Deficiency) Before Transfers	<u>35,963</u>	<u>(14,052)</u>	<u>50,015</u>
Increase (Decrease) in Net Assets	35,963	(14,052)	50,015
Net Assets, January 1	<u>82,497</u>	<u>96,549</u>	<u>(14,052)</u>
Net Assets, December 31	<u>\$118,460</u>	<u>\$82,497</u>	<u>\$35,963</u>

Program receipts represent 46.9% of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax receipts. As a percentage of total receipts, program receipts were more than 2008 due to Public Works, FEMA and CDBG receipts.

General receipts represent 53.1% of the Township's total receipts, and of this amount, over 66.8% are property taxes. Local government distribution, estate tax and personal property tax rollbacks make up an additional 32.4% of the Township's general receipts. Other receipts are very insignificant.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of elected official wages and benefits, insurance premiums, utilities and other administrative expenses. Since these costs are of a fixed nature and do not represent direct services to residents, we try to limit these as much as possible in order to focus resources to benefit the public.

Public Safety and Public Works include the cost of maintaining roads, fire protection and ambulance services to Township residents and the general public.

**Governmental Activities**

If you look at the Statement of Activities on page 10 you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are public works, which accounts for 46.8% of all governmental disbursements. Public safety also represents a significant cost, at about 31.3%. The third major program disbursement was for general government, which account for 21.8% of all governmental disbursements. The next column of the Statement entitled Program Receipts identifies grants received by the Township that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost of Services 2009	Net Cost of Services 2009
General Government	\$57,434	(\$57,434)
Public Safety	82,262	(82,262)
Public Works	122,992	17,140
Capital Outlay	282	(282)
<b>Total Expenses</b>	<b>\$262,970</b>	<b>(\$122,838)</b>

The dependence upon property tax receipts is apparent as 40.4% of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$298,933 and disbursements of \$262,970. Receipts exceeded disbursements in 2009.

General Fund receipts exceeded disbursements by \$9,560 a favorable position in comparison to the beginning of 2009.

**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The two most significant budgeted funds are the General and Gasoline Tax Funds.

During 2009, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts in the General Fund were \$2,885 below the original budgeted receipts due to a shortfall in property tax collections and interest earnings.

Disbursements were budgeted at \$68,956 while actual disbursements were \$57,756. The Township kept overall spending very close to budgeted amounts in all functions.

Jefferson Township, Tuscarawas County

Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

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**Capital Assets and Debt Administration**

Capital Assets

The Township currently maintains an equipment and road maintenance materials inventory. This report is submitted to the Tuscarawas County Engineer annually.

Debt

At December 31, 2009, the Township's outstanding debt was \$0.

**Current Issues**

The challenge for all Local Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and gasoline taxes, additionally almost no industry to support the tax base. Trustees are very involved as it relates to the financial status, budgeting and reducing costs.

**Contacting the Township's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Brian R. Pfeiffer, Fiscal Officer, Jefferson Township, Tuscarawas County, 102 N. Bridge St., Stone Creek, Ohio 43840.

**JEFFERSON TOWNSHIP  
TUSCARAWAS COUNTY**

*Statement of Net Assets - Cash Basis  
December 31, 2009*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$118,459</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	\$100,914
Unrestricted	<u>17,546</u>
<i>Total Net Assets</i>	<u>\$118,460</u>

See accompanying notes to the basic financial statements

**JEFFERSON TOWNSHIP  
TUSCARAWAS COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2009*

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>			
General Government	\$57,434		(\$57,434)
Public Safety	82,262		(82,262)
Public Works	122,992	\$140,132	17,140
Capital Outlay	282		(282)
<i>Total Governmental Activities</i>	<u>\$262,970</u>	<u>\$140,132</u>	(122,838)
<b>General Receipts</b>			
Property and Other Local Taxes			106,140
Grants and Entitlements not Restricted to Specific Programs			51,434
Earnings on Investments			703
Miscellaneous			524
<i>Total General Receipts</i>			<u>158,801</u>
Change in Net Assets			35,963
<i>Net Assets Beginning of Year</i>			<u>82,497</u>
<i>Net Assets End of Year</i>			<u><u>\$118,460</u></u>

See accompanying notes to the basic financial statements

**JEFFERSON TOWNSHIP  
TUSCARAWAS COUNTY**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2009*

	GENERAL	GASOLINE TAX	AMBULANCE LEVY	FIRE OPERATING LEVY	CDBG GRANT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$17,546	\$38,774	\$44,675	\$0	\$0	\$17,465	\$118,460
<b>Fund Balances</b>							
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	\$17,546						\$17,546
Special Revenue Funds		\$38,774	\$44,675	\$0	\$0	\$17,465	100,914
<i>Total Fund Balances</i>	\$17,546	\$38,774	\$44,675	\$0	\$0	\$17,465	\$118,460

See accompanying notes to the basic financial statements

**JEFFERSON TOWNSHIP  
TUSCARAWAS COUNTY**

*Statement of Cash Receipts, Disbursements and  
Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2009*

	GENERAL	GASOLINE TAX	AMBULANCE LEVY	FIRE OPERATING LEVY	CDBG	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>Receipts</b>							
Property and Other Local Taxes	\$29,230		\$3,934	\$46,152		\$26,824	\$106,140
Intergovernmental	37,353	\$87,860	1,544	13,173	30,800	20,489	191,219
Earnings on Investments	703	289				58	1,050
Miscellaneous	30					494	524
<b>Total Receipts</b>	<b>67,316</b>	<b>88,149</b>	<b>5,478</b>	<b>59,325</b>	<b>30,800</b>	<b>47,865</b>	<b>298,933</b>
<b>Disbursements</b>							
Current:							
General Government	57,434						57,434
Public Safety			6,055	59,325		16,882	82,262
Public Works	40	68,403			30,800	23,749	122,992
Capital Outlay	282						282
<b>Total Disbursements</b>	<b>57,756</b>	<b>68,403</b>	<b>6,055</b>	<b>59,325</b>	<b>30,800</b>	<b>40,631</b>	<b>262,970</b>
Net Change in Fund Balances	9,560	19,746	(577)	0	0	7,234	35,963
Fund Balances Beginning of Year	7,986	19,028	45,252	0	0	10,231	82,497
Fund Balances End of Year	\$17,546	\$38,774	\$44,675	\$0	\$0	\$17,465	\$118,460

See accompanying notes to the basic financial statements



**JEFFERSON TOWNSHIP  
TUSCARAWAS COUNTY**

*Statement of Receipts, Disbursements and  
Changes in Fund Balance - Budget and Actual -Budget Basis  
General Fund  
For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$32,100	\$29,230	\$29,230	\$0
Intergovernmental	36,447	37,353	37,353	0
Earnings on Investments	1,653	703	703	0
Miscellaneous		30	30	0
<i>Total Receipts</i>	70,200	67,316	67,316	0
<b>Disbursements</b>				
Current:				
General Government	66,456	57,434	57,434	0
Public Works	1,500	40	40	0
Capital Outlay	1,000	282	282	0
<i>Total Disbursements</i>	68,956	57,756	57,756	0
<i>Net Change in Fund Balance</i>	1,244	9,560	9,560	0
<i>Fund Balance Beginning of Year</i>	7,986	7,986	7,986	0
<i>Fund Balance End of Year</i>	\$9,230	\$17,546	\$17,546	\$0

See accompanying notes to the basic financial statements

**JEFFERSON TOWNSHIP  
TUSCARAWAS COUNTY**

*Statement of Receipts, Disbursements and  
Changes in Fund Balance - Budget and Actual -Budget Basis  
Gasoline Tax Fund  
For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$86,729	\$87,860	\$87,860	\$0
Earnings on Investments	500	289	289	0
<i>Total Receipts</i>	<u>87,229</u>	<u>88,149</u>	<u>88,149</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
Public Works	81,600	68,403	68,403	0
Other	4,000			0
<i>Total Disbursements</i>	<u>85,600</u>	<u>68,403</u>	<u>68,403</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,629	19,746	19,746	0
<i>Fund Balance Beginning of Year</i>	<u>19,028</u>	<u>19,028</u>	<u>19,028</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$20,657</u></u>	<u><u>\$38,774</u></u>	<u><u>\$38,774</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

**JEFFERSON TOWNSHIP  
TUSCARAWAS COUNTY**

*Statement of Receipts, Disbursements and  
Changes in Fund Balance - Budget and Actual -Budget Basis  
Ambulance Levy Fund  
For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$4,200	\$3,934	\$3,934	\$0
Intergovernmental	1,162	1,544	1,544	0
<i>Total Receipts</i>	<u>5,362</u>	<u>5,478</u>	<u>5,478</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
Public Safety	6,750	6,055	6,055	0
<i>Excess of Receipts (Under) Disbursements</i>	(1,388)	(577)	(577)	0
<i>Fund Balance Beginning of Year</i>	<u>45,252</u>	<u>45,252</u>	<u>45,252</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$43,864</u>	<u>\$44,675</u>	<u>\$44,675</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

**JEFFERSON TOWNSHIP  
TUSCARAWAS COUNTY**

*Statement of Receipts, Disbursements and  
Changes in Fund Balance - Budget and Actual -Budget Basis  
Fire Operating Levy Fund  
For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$50,600	\$46,152	\$46,152	\$0
Intergovernmental	8,173	13,173	13,173	0
<i>Total Receipts</i>	<u>58,773</u>	<u>59,325</u>	<u>59,325</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
Public Safety	58,773	59,325	59,325	0
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

**Note 1 – Reporting Entity**

Jefferson Township, Tuscarawas County, Ohio, (the Township) 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 Township is directed by a publicly-elected three-member Board of Trustees. The Township also has an elected Fiscal Officer.

The reporting entity is comprised of the primary government only and does not have any component units or other organizations that were included, which ensures that the financial statements are not misleading.

**A. Primary Government**

The Township provides general government services, including maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Stone Creek Volunteer Fire Department for fire protection and Smith Ambulance Service, Inc. to provide ambulance services. Police protection is provided by the Tuscarawas County Sheriff Department.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Jefferson Township has no component units.

**C. Jointly Governed Organizations and Public Entity Risk Pools**

The Township participates in the Ohio Township's Association Risk Management Authority (OTARMA), a public entity risk pool for the Township's property and casualty insurance.

Management believes the financial statements present all activities for which the Township is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Township does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Township's accounting policies.

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The Statement of Net Assets and the Statement of Activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets presents the cash balances of the governmental and business-type activities of the Township at year end. The Statement of Activities compares disbursements with program receipts for each of the Township's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Township's general receipts.

**Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**B. Fund Accounting**

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township activities require only governmental type funds.

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**B. Fund Accounting (Continued)**

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds include: the General, Gasoline Tax, Fire Operating Levy, Ambulance Levy, and CDBG Funds. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund receives gasoline tax money to pay for constructing and repairing Township road and bridges. The fire and ambulance funds receive property tax revenue to provide emergency fire and medical services to residents of the Township. The CDBG fund accounts for receipts that are restricted for community development projects.

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

**C. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The Certificate of Estimated Resources may be amended during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the Certificate of Estimated Resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the Amended Certificate of Estimated Resources in effect at the time final appropriations were passed by the Township.

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Process (Continued)**

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Township is deposited into the Commercial and Savings Bank where it earns interest. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2009 was \$703 which includes all interest not directly earned by the Motor Vehicle or Gas Funds.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township does not have any restricted cash assets.

**G. Inventory and Prepaid Items**

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.



**Note 2 – Summary of Significant Accounting Policies (Continued)**

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for expenses allowed from the Motor Vehicle, Gasoline Tax, Road and Bridge and Ambulance Funds.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**M. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. No fund balance reserves have been established for encumbrances as of December 31, 2009.

**N. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general, gasoline tax, fire operating levy, and ambulance levy funds prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to \$0 for every Township fund. The outstanding advances at year end amounted to \$0 for every Township fund.

**Note 4 – Deposits and Investments**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**Note 4 – Deposits and Investments (Continued)**

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

All cash assets are deposited into the Commercial and Savings Bank as of December 31, 2009.

At year end, the Township had \$0 in un-deposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

**Note 4 – Deposits and Investments (Continued)**

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$0 of the Township's bank balance of \$125,486 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2009, the Township did not have any investments.

**Note 5 – Property Taxes**

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Property tax receipts received in 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes which became a lien on December 31, 2008 are levied after October 1, 2009, and are collected in 2010 with real property taxes.

2009 tangible property taxes are levied after October 1, 2008, on the value as of December 31, 2008. Collections are made in 2009. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

Jefferson Township, Tuscarawas County

Notes to the Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 5 – Property Taxes (Continued)**

The full tax rate for all Township operations for the year ended December 31, 2009, was \$7.30 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2009 property tax receipts were based are as follows:

Real Property	\$16,394,310
Public Utility Property	909,400
Tangible Personal Property	296,470
Total Assessed Values	<u>\$17,600,180</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

**Note 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.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

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

Notes to the Financial Statements  
For the Year Ended December 31, 2009  
(Continued)

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**Note 6 – Risk Management (Continued)**

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings 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 \$3,000.

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 to OTARMA**

2009	\$3,033
2008	3,700
2007	4,881

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.

**Note 7 – Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System**

Plan Description - The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only in the traditional plans.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**Note 7 – Defined Benefit Pension Plan (Continued)**

**A. Ohio Public Employees Retirement System (continued)**

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10 percent of covered payroll.

The Township's contribution rate for 2009 was 14 percent. For the period January 1, through March 31, 2009, a portion of the Township's contribution equal to 7 percent of covered payroll was allocated to fund the postemployment healthcare plan; for the period April 1 through December 31, 2009 this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Township of 14 percent.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$6,671, \$6,675, and \$6,528, respectively. The full amount has been contributed for 2009, 2008 and 2007.

**B. Ohio Public Employees Deferred Compensation Program**

The Township encourages its employees to participate in the Ohio Public Employees Deferred Compensation Program. The Township does not contribute to the employees account, but provides a service by withholding an amount determined by the employee and submitting the withholding to the employee's account.

**Note 8 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare.

The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 – 7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

**Note 8 - Postemployment Benefits (Continued)**

**A. Ohio Public Employees Retirement System (Continued)**

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.00 percent of covered payroll. Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 7.00 percent of covered payroll from January 1 through March 31, 2009, and 5.50 percent from April 1 through December 31, 2009.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Township's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2009, 2008, and 2007 were \$2,793, \$3,337, and \$2,596, respectively; 100 percent has been contributed for 2009 and 2008 and 2007.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

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# Mary Taylor, CPA

Auditor of State

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

Jefferson Township  
Tuscarawas County  
102 North Bridge Street  
Stone Creek, Ohio 43840

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Township, Tuscarawas County, Ohio, (the Township) as of and for the year ended December 31, 2009, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 9, 2010, wherein we noted the Township follows a comprehensive accounting basis other than generally accepted accounting principles. We also noted Township uses the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code §§ 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion 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.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 9, 2010.

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

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

**Mary Taylor, CPA**  
Auditor of State

July 9, 2010



**Mary Taylor, CPA**  
Auditor of State

**JEFFERSON TOWNSHIP**

**TUSCARAWAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 23, 2010**