

Jefferson Township
Madison County, Ohio
Regular Audit
For the Years Ended December 31, 2009 and 2008



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Mary Taylor, CPA

Auditor of State

Board of Trustees
Jefferson Township
225 Cemetery Road
West Jefferson, Ohio 43162

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

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 8, 2010

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Madison County, Ohio
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Independent Auditor's Report

Board of Trustees
Jefferson Township
225 Cemetery Road
West Jefferson, Ohio 43162

We have audited the accompanying financial statements of Jefferson Township, Madison County, Ohio, (the Township) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Jefferson Township
Madison County, Ohio
Independent Auditor's Report
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances, of Jefferson Township, Madison County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2010 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

May 20, 2010

**Jefferson Township
Madison County, Ohio**

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

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$74,198	\$1,179,179	\$1,253,377
Charges for Services	0	235,421	235,421
Licenses, Permits and Fees	5,069	23,117	28,186
Intergovernmental	204,863	495,890	700,753
Special Assessments	103,788	0	103,788
Earnings on Investments	6,465	1,313	7,778
Miscellaneous	989	32,717	33,706
Total Cash Receipts	395,372	1,967,637	2,363,009
Cash Disbursements:			
Current:			
General Government	135,744	181,009	316,753
Public Safety	0	1,572,488	1,572,488
Public Works	749	104,803	105,552
Health	14,157	10,822	24,979
Capital Outlay	683	211,240	211,923
Total Cash Disbursements	151,333	2,080,362	2,231,695
Total Cash Receipts Over (Under) Cash Disbursements	244,039	(112,725)	131,314
Other Financing Receipts (Disbursements):			
Sale of Fixed Assets	0	55,000	55,000
Transfers In	0	3,438	3,438
Transfers Out	0	(3,438)	(3,438)
Total Other Financing Receipts (Disbursements)	0	55,000	55,000
Excess of Cash Receipts and Other Financing Receipts (Disbursements) Over (Under) Cash Disbursements and Other Financing Disbursements	244,039	(57,725)	186,314
Fund Cash Balances, January 1	801,238	1,681,481	2,482,719
Fund Cash Balances, December 31	\$1,045,277	\$1,623,756	\$2,669,033
Reserve for Encumbrances	\$0	\$0	\$0

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

**Jefferson Township
Madison County, Ohio**

*Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2008*

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$68,044	\$1,163,926	\$1,231,970
Charges for Services	0	115,000	115,000
Licenses, Permits and Fees	1,669	24,568	26,237
Intergovernmental	105,586	454,250	559,836
Special Assessments	103,788	0	103,788
Earnings on Investments	35,250	8,330	43,580
Miscellaneous	1,577	26,026	27,603
Total Cash Receipts	315,914	1,792,100	2,108,014
Cash Disbursements:			
Current:			
General Government	159,546	180,017	339,563
Public Safety	747	1,484,992	1,485,739
Public Works	678	113,239	113,917
Health	13,556	25,038	38,594
Capital Outlay	4,380	147,966	152,346
Total Cash Disbursements	178,907	1,951,252	2,130,159
Total Cash Receipts Over (Under) Cash Disbursements	137,007	(159,152)	(22,145)
Other Financing Receipts (Disbursements):			
Transfers In	0	322,347	322,347
Transfers Out	(320,000)	(2,347)	(322,347)
Total Other Financing Receipts (Disbursements)	(320,000)	320,000	0
Excess of Cash Receipts and Other Financing Receipts (Disbursements) Over (Under) Cash Disbursements and Other Financing Disbursements	(182,993)	160,848	(22,145)
Fund Cash Balances, January 1	984,231	1,520,633	2,504,864
Fund Cash Balances, December 31	\$801,238	\$1,681,481	\$2,482,719
Reserve for Encumbrances	\$0	\$52,561	\$52,561

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

Jefferson Township
Madison County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Jefferson Township, Madison County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services. The Township also provides fire protection and emergency medical services to Fairfield Township.

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

Basis of Accounting

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

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

Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Fund Accounting

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

General Fund

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

Special Revenue Funds

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

Fire District Fund – This fund receives property tax monies, homestead and rollback monies, and charges for services for the operation of the Township's fire/EMS department.

Jefferson Township
Madison County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over and need not be re-appropriated.

A summary of the 2009 and 2008 budgetary activity appears in Note 3.

Property, Plant, and Equipment

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

Accumulated Leave

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

Note 2 – Equity in Pooled Cash and Investments

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

	2009	2008
Demand Deposits	\$2,669,033	\$2,482,719

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

Jefferson Township
Madison County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2009 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$209,722	\$395,372	\$185,650
Special Revenue	1,799,590	2,026,075	226,485
Total	<u>\$2,009,312</u>	<u>\$2,421,447</u>	<u>\$412,135</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$653,500	\$151,333	\$502,167
Special Revenue	3,230,211	2,083,800	1,146,411
Total	<u>\$3,883,711</u>	<u>\$2,235,133</u>	<u>\$1,648,578</u>

Budgetary activity for the year ending December 31, 2008 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$251,730	\$315,914	\$64,184
Special Revenue	1,633,261	2,114,447	481,186
Total	<u>\$1,884,991</u>	<u>\$2,430,361</u>	<u>\$545,370</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$941,000	\$498,907	\$442,093
Special Revenue	2,908,947	2,006,160	902,787
Total	<u>\$3,849,947</u>	<u>\$2,505,067</u>	<u>\$1,344,880</u>

Note 4 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

Jefferson Township
Madison County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 5 – Retirement Systems

The Township's full-time fire department employees belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F members contributed 10% of their gross salaries, with the Township contributing an amount equal to 24% of participants' gross salaries. For 2009 and 2008, OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

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.

Medical Insurance

Some of the Township's employees participate in a cafeteria plan for medical and dental insurance.

Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the Plan), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (Members). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (OPRM), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Township participates in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium (OPHC), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Township does not participate in this coverage.

Jefferson Township
Madison County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 6 – Risk Management (Continued)

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2008 and 2007 (the latest information available), and include amounts for both OPRRM and OPHC:

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	(5,286,781)	(4,273,553)
Members' Equity	\$5,184,333	\$6,862,902

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

Note 7 – Interfund Activity

The Township made transfers for the years ended December 31, 2009 and 2008 as follows:

	Transfers	
	In	Out
2009		
Fire District	\$3,438	\$0
Miscellaneous Special Revenue	0	3,438
Total	\$3,438	\$3,438
2008		
General	\$0	\$320,000
Road and Bridge	2,347	0
Fire District	320,000	0
Miscellaneous Special Revenue	0	2,347
Total	\$322,347	\$322,347

The General Fund transferred funds into the Fire District Fund to subsidize operations. The Miscellaneous Special Revenue Fund transferred funds into the Fire District Fund in 2009 and into the Road and Bridge Fund in 2008 to reimburse those funds for outlays which were eligible for FEMA funding.

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

Board of Trustees
Jefferson Township
225 Cemetery Road
West Jefferson, Ohio 43162

We have audited the financial statements of Jefferson Township, Madison County, Ohio, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 20, 2010, wherein we noted the Township followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. This item is identified as item 2009-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Township in a separate letter dated May 20, 2010.

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

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



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

May 20, 2010

Jefferson Township
Madison County, Ohio
Schedule of Findings
For the Years Ended December 31, 2009 and 2008

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

FINDING NUMBER 2009-1

Material Weakness – Material Misclassifications

A monitoring system by the Township should be in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements. The Township misclassified property tax reimbursements from the State. In accordance with the UAN handbook issued by the Auditor of State, property tax reimbursement receipts should be recorded as intergovernmental receipts. The Township reported these receipts as property tax receipts. The Township should implement additional monitoring procedures to ensure receipts are recorded in accordance with published guidelines.

Client Response:

The Township will correct.

Jefferson Township
Madison County, Ohio
Schedule of Prior Audit Findings
For the Years Ended December 31, 2009 and 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Improper classification of receipts.	No	Reissued as Finding Number 2009-1.



Mary Taylor, CPA
Auditor of State

JEFFERSON TOWNSHIP

MADISON 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
JUNE 22, 2010**