

***JEFFERSON TOWNSHIP
RICHLAND COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004

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



**Auditor of State
Betty Montgomery**

Board of Trustees
Jefferson Township
P.O. Box 557
Bellville, Ohio 44813

We have reviewed the *Report of Independent Accountants* of Jefferson Township, Richland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 1, 2006

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**JEFFERSON TOWNSHIP
RICHLAND COUNTY
For the Years Ending December 31, 2005 and 2004**

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

REPORT OF INDEPENDENT ACCOUNTANTS

Jefferson Township
Richland County
P.O. Box 557
Bellville, Ohio 44813

We have audited the accompanying financial statements of Jefferson Township, Richland County, Ohio as and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, 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, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Jefferson Township, Richland County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2006, 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 results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

October 10, 2006

JEFFERSON TOWNSHIP
 RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
 ALL GOVERNMENTAL FUND TYPES
 For the Year Ended December 31, 2005

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Receipts:				
Property and Other Local Taxes	\$ 45,662	\$ 666,120	\$ 72,691	\$ 784,473
Intergovernmental	53,053	148,366	9,497	210,916
Interest	2,048	1,938	-	3,986
Other	967	11,184	-	12,151
Total Receipts	<u>101,730</u>	<u>827,608</u>	<u>82,188</u>	<u>1,011,526</u>
Disbursements:				
General Government	62,948	-	-	62,948
Public Safety	-	279,084	-	279,084
Public Works	335	391,005	-	391,340
Health	1,500	-	-	1,500
Conservation	800	-	-	800
Capital Outlay	-	300,370	-	300,370
Debt Service:				
Interest and Fiscal Charges	-	-	1,313	1,313
Total Disbursements	<u>65,583</u>	<u>970,459</u>	<u>1,313</u>	<u>1,037,355</u>
Receipts over/(under) disbursements	36,147	(142,851)	80,875	(25,829)
Other Financing Sources/(Uses)				
Sale of Bonds	-	117,469	-	117,469
Sale of Fixed Assets	-	3,800	-	3,800
Transfers in	369	10,752	-	11,121
Transfers out	-	(11,121)	-	(11,121)
Total Other Financing Sources/(Uses)	<u>369</u>	<u>120,900</u>	<u>-</u>	<u>121,269</u>
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	36,516	(21,951)	80,875	95,440
Fund Balance 1/1/2005	143,268	678,968	2,588	824,824
Fund Balance 12/31/2005	<u>\$ 179,784</u>	<u>\$ 657,017</u>	<u>\$ 83,463</u>	<u>\$ 920,264</u>

See accompanying Notes to the Financial Statements.

JEFFERSON TOWNSHIP
 RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
 ALL GOVERNMENTAL FUND TYPES
 For the Year Ended December 31, 2004

	<u>Governmental Fund Types</u>			<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Receipts:				
Property and Other Local Taxes	\$ 44,452	\$ 610,385	-	\$ 654,837
Intergovernmental	48,013	145,953	-	193,966
Interest	14,588	1,004	-	15,592
Other	49	2,388	-	2,437
Total Receipts	<u>107,102</u>	<u>759,730</u>	<u>-</u>	<u>866,832</u>
Disbursements:				
General Government	76,120	-	-	76,120
Public Safety	-	287,990	-	287,990
Public Works	-	251,983	-	251,983
Health	1,200	-	-	1,200
Conservation	800	-	-	800
Capital Outlay	4,060	141,435	-	145,495
Total Disbursements	<u>82,180</u>	<u>681,408</u>	<u>-</u>	<u>763,588</u>
Receipts over(under) disbursements	24,922	78,322	-	103,244
Fund Balance 1/1/2004	118,346	600,646	\$ 2,588	721,580
Fund Balance 12/31/2004	<u>\$ 143,268</u>	<u>\$ 678,968</u>	<u>\$ 2,588</u>	<u>\$ 824,824</u>

See accompanying Notes to the Financial Statements.

JEFFERSON TOWNSHIP
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Jefferson Township, Richland County (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by publicly-elected, three-member Board of Trustees. The Township provides general governmental services, road and bridge maintenance, and cemetery services. The Township contracts with the Jefferson Volunteer Fire Department, Maynard Volunteer Fire Department, and Barton Volunteer Fire Department, to provide fire protection and emergency medical services.

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

B. BASIS OF ACCOUNTING

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

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

C. CASH

Certificates of deposit are valued at cost.

D. FUND ACCOUNTING

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

JEFFERSON TOWNSHIP
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Governmental Fund Types:

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

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

- Motor Vehicle License Tax Fund – This fund receives motor vehicle tax money for constructing, maintaining and repairing Township roads.
- Gasoline Tax Fund – This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.
- Road and Bridge Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.
- Road District Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.
- Permissive Sales Tax – This fund receives local sales tax for providing fire protection and emergency medical services.
- Fire District Fund – This fund receives property taxes for providing fire protection and emergency medical services.
- Senior Citizens Levy Fund – This fund receives property taxes for providing services to Township citizens.

Debt Service Funds: These funds are used to account for receipts that are restricted for the payment of Township debt. The Township had the following significant Debt Service Fund:

- Fire Debt Fund – This fund receives property taxes for retiring debt related to the construction of the Township's firehouse.

E. BUDGETARY PROCESS

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

JEFFERSON TOWNSHIP
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E BUDGETARY PROCESS – (Continued)

1. Estimated Resources

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

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

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

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2004 and 2005. However, those fund balances are available for appropriation.

2. Appropriations

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

**JEFFERSON TOWNSHIP
 RICHLAND COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E BUDGETARY PROCESS – (Continued)

3. Encumbrances

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

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

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	2004	2005
Demand deposits	\$ 568,714	\$ 661,863
Certificates of deposit	256,110	258,401
Total deposits	\$ 824,824	\$ 920,264

Deposits: Deposits are either insured by (1) the Federal Deposit Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**JEFFERSON TOWNSHIP
 RICHLAND COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2005 and 2004**

3. PROPERTY TAXES

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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

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

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

<u>2005 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 80,312	\$ 102,099	\$ 21,787
Special Revenue Funds	2,230,344	959,629	(1,247,715)
Debt Service	174,750	82,188	(92,562)

<u>2005 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 223,580	\$ 65,583	\$ 157,997
Special Revenue Funds	2,898,190	981,580	1,916,610
Debt Service	117,338	1,313	116,025

JEFFERSON TOWNSHIP
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

4. BUDGETARY ACTIVITY – (Continued)

<u>2004 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 75,775	\$ 107,102	\$ 31,327
Special Revenue Funds	653,945	759,730	105,785
Debt Service	- 0 -	-0-	- 0 -

<u>2004 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 194,121	\$ 82,180	\$ 111,941
Special Revenue Funds	1,254,591	681,408	543,183
Debt Service	2,588	-0-	2,588

5. DEBT

The Township had outstanding debt at December 31, 2005 as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds #97-01	\$ 112,136	4.125%
General Obligation Bonds #97-04	5,206	4.125%
General Obligation Bonds #97-05	<u>127</u>	4.125%
 Total	 <u>\$ 117,469</u>	

The Township has entered into an agreement to issue general obligation bonds from the United States Department of Agriculture (USDA) for the construction of a new firehouse and the purchase of fire equipment. The Township periodically draws down portions of the bonds as needed. The bonds are collateralized by the taxing authority of the Township. The Township has been approved for three bonds described as follows:

<u>Loan Number</u>	<u>Original Amount of Bond</u>	<u>Draws to Date</u>	<u>Maturity Date of Bond</u>
97-01	\$ 1,420,000	\$ 112,136	7-22-2035
97-04	60,000	5,206	7-22-2035
97-05	88,000	127	7-22-2035

The above general obligation bonds will not have an amortization schedule until completion of the firehouse.

**JEFFERSON TOWNSHIP
 RICHLAND COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2005 and 2004**

6. RETIREMENT SYSTEM

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. OPERS participants contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of their wages. The Township has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

RISK POOL MEMBERSHIP

The Township belongs to the Ohio Government Risk Management Plan ("the Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A-Vii or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities and member's equity at December 31:

	<u>2005</u>	<u>2004</u>
Assets	\$ 8,219,430	\$ 6,685,522
Liabilities	<u>2,748,639</u>	<u>2,227,808</u>
Retained Earnings	<u>\$ 5,470,791</u>	<u>\$ 4,457,714</u>

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

JEFFERSON TOWNSHIP
RICHLAND COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

9. TRANSFERS

The Township transferred money from the FEMA Fund to the General Fund, Road & Bridge Fund, Motor Vehicle License Tax Fund, Fire District and Permissive Sales Tax Fund to reimburse each fund for disaster expenses. The Township has complied with all applicable Ohio Revised Code and FEMA grant requirements.

10. BUDGETARY NONCOMPLIANCE

The Township had the following citations for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41(D)**, the Township did not certify any disbursements.

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

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

Jefferson Township
Richland County
P.O.Box 557
Bellville, Ohio 44813

We have audited the accompanying financial statements of Jefferson Township, Richland County, Ohio (the "Township") as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 10, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2005-JTRC-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we consider the reportable condition described above to be a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the Township in a separate letter dated October 10, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material affect 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 an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2005-JTRC-001 and 2005-JTRC-002.

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

Charles E. Harris and Associates, Inc.

October 10, 2006

**JEFFERSON TOWNSHIP
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-JTRC-001

Noncompliance Citation/Material Weakness

Ohio Revised Code Section 5705.41 (D), requires, in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement state above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

“Then and Now” Certificate – If the fiscal officer can certify that both at the time the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the “then and now” certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the Township.

Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**JEFFERSON TOWNSHIP
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2005 AND 2004**

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

**FINDING NUMBER 2005-JTRC-001
(Continued)**

Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predicable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

One hundred percent of transactions tested for 2005 and 2004 did not include prior certification of the availability of funds by the Clerk, nor was there evidence of a “Then and Now” certificate being used. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

We recommend the Township’s management implement procedures to gain fiscal control over expenditures. Purchase orders containing the required certification should be utilized to certify the availability of funds prior to commitments being incurred. Appropriations should then be encumbered and balances maintained of unencumbered appropriations. Additional purchase orders should be issued only after the fiscal officer determines that sufficient unencumbered appropriations exist in the amount of the requested purchase.

The Clerk will review budgetary requirements, including purchasing and make improvements where necessary.

FINDING NUMBER 2005-JTRC-002

Ohio Rev. Code Section 135.21 states in part that all investment earnings, except as otherwise expressly provided by law, shall be credited to the General Fund of the Township.

During 2004, the Township credited the Fire District Fund, a Special Revenue fund, with interest earnings. During 2005, the Township credited the Permissive Sales Tax Fund, a Special Revenue fund, with interest earnings. The financial statements have been adjusted to reflect the correct posting of the above interest earnings to the General Fund. The Township is in agreement with this adjustment and has adjusted its accounting records accordingly.

The Clerk will credit interest earnings to funds based on the Ohio Revised Code.

JEFFERSON TOWNSHIP

RICHLAND COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2005 AND 2004

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-JTRC-001	Contrary to Ohio Revised Code Section 5705.41(D), the Township did not certify any disbursements.	NO	Repeated as finding Number 2005-JTRC- 001.



**Auditor of State
Betty Montgomery**

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JEFFERSON TOWNSHIP

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 14, 2006**