



**Auditor of State  
Betty Montgomery**



JEFFERSON TOWNSHIP  
LOGAN COUNTY

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**Auditor of State  
Betty Montgomery**

Jefferson Township  
Logan County  
1826 CR 25 South  
Bellefontaine, Ohio 43358

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Betty Montgomery**  
Auditor of State

October 27, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Jefferson Township  
Logan County  
1826 CR 25 South  
Bellefontaine, Ohio 43358

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Logan County, (the Township), as of 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. 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 115.6 mandate the Auditor of State to audit Ohio governments. We believe 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 this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
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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 the Township, 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 27, 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 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.



**Betty Montgomery**  
Auditor of State

October 27, 2006



**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Governmental Fund Types</b>			<b>(Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$57,032	\$82,238		\$139,270
Charges for Services		110		110
Licenses, Permits, and Fees	4,165	2,952		7,117
Intergovernmental	45,358	98,225	19,859	163,442
Earnings on Investments	4,698	226		4,924
Miscellaneous	1,682	4,700		6,382
<b>Total Cash Receipts</b>	<b>112,935</b>	<b>188,451</b>	<b>19,859</b>	<b>321,245</b>
<b>Cash Disbursements:</b>				
Current:				
General Government	65,298			65,298
Public Works	20,000	115,459	19,859	155,318
Health		14,552		14,552
Conservation/Recreation		11,230		11,230
Intergovernmental		22,845		22,845
Capital Outlay	9,961	19,338		29,299
<b>Total Cash Disbursements</b>	<b>95,259</b>	<b>183,424</b>	<b>19,859</b>	<b>298,542</b>
<b>Total Receipts Over Disbursements</b>	<b>17,676</b>	<b>5,027</b>		<b>22,703</b>
Fund Cash Balances, January 1	35,629	158,450	0	194,079
<b>Fund Cash Balances, December 31</b>	<b>\$53,305</b>	<b>\$163,477</b>	<b>\$0</b>	<b>\$216,782</b>

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

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - NONEXPENDABLE TRUST FUND  
NONEXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Operating Cash Receipts:</b>	
Earnings on Investments	\$1,595
<b>Operating Cash Disbursements</b>	<u>0</u>
Cash Receipts Over Cash Disbursements	1,595
Fund Cash Balances, January 1	<u>30,560</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$32,155</u></u>

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

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Governmental Fund Types</b>			<b>(Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$50,294	\$75,935		\$126,229
Licenses, Permits, and Fees	3,725	4,847		8,572
Intergovernmental	53,343	87,864	19,661	160,868
Earnings on Investments	1,881	467		2,348
Miscellaneous	2,071	1,400		3,471
<b>Total Cash Receipts</b>	<b>111,314</b>	<b>170,513</b>	<b>19,661</b>	<b>301,488</b>
<b>Cash Disbursements:</b>				
Current:				
General Government	70,787			70,787
Public Works	37,878	135,216	19,661	192,755
Health		18,293		18,293
Conservation/Recreation		12,231		12,231
Intergovernmental		22,045		22,045
Capital Outlay		28,121		28,121
<b>Total Cash Disbursements</b>	<b>108,665</b>	<b>215,906</b>	<b>19,661</b>	<b>344,232</b>
Total Receipts Over/(Under) Disbursements	2,649	(45,393)		(42,744)
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Assets		19,000		19,000
Transfers-In		17,000		17,000
Transfers-Out	(17,000)			(17,000)
Other Financing Sources	2,244			2,244
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(14,756)</b>	<b>36,000</b>		<b>21,244</b>
Cash Receipts and Other Financing Receipts (Under) Cash Disbursements And Other Financing Disbursements	(12,107)	(9,393)		(21,500)
Fund Cash Balances, January 1	47,736	167,843	0	215,579
<b>Fund Cash Balances, December 31</b>	<b>\$35,629</b>	<b>\$158,450</b>	<b>\$0</b>	<b>\$194,079</b>

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

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - NONEXPENDABLE TRUST FUND  
NONEXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>Operating Cash Receipts:</b>	
Earnings on Investments	\$1,560
<b>Operating Cash Disbursements</b>	<u>0</u>
Cash Receipts Over Cash Disbursements	1,560
Fund Cash Balances, January 1	<u>29,000</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$30,560</u></u>

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

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Jefferson Township, Logan 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, and park maintenance. The Township contracts with the Tri-Valley Fire District for fire and ambulance services. The Township is taxing authority for the Dr. Earl Sloan Public Library.

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

**B. Basis of Accounting**

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

**C. Cash and Investments**

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

The Village values certificates of deposit and U.S. Government Bonds at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

**Road and Bridge Fund** - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

**Gasoline Tax Fund** - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following Capital Projects Fund:

**County Sales Tax Fund** - The Township is allocated a portion of the sales tax revenues collected by Logan County and spent on behalf of the Township by the County to maintain roads.

**4. Fiduciary Funds (Trust and Agency Funds)**

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following fiduciary funds:

**Cemetery Bequest Funds** – The Nonexpendable Trust Funds account for the principal portion of monies donated for the upkeep of the donors' graves.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**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:

	<b>2005</b>	<b>2004</b>
Demand deposits	\$219,937	\$156,639
Certificates of deposit		\$39,000
U.S. Government Bonds	29,000	29,000
Total deposits	\$248,937	\$224,639

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

On October 16, 2003, after receiving advice from its legal counsel, the Township purchased 29 Federal Home Loan Mortgage Bonds. These bonds have a 5.5% interest rate, mature October 15, 2023, and are callable on October 15, 2007.

**3. BUDGETARY ACTIVITY**

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

**2005 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$135,000	\$112,935	(\$22,065)
Special Revenue	181,818	188,451	6,633
Capital Projects	19,860	19,859	(1)
Nonexpendable Trust	1,500	1,595	95
Total	\$338,178	\$322,840	(\$15,338)

**2005 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$170,630	\$95,259	\$75,371
Special Revenue	339,267	183,424	155,843
Capital Projects	19,860	19,859	1
Nonexpendable Trust	3,060	0	3,060
Total	\$532,817	\$298,542	\$234,275

**2004 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$139,847	\$113,558	(\$26,289)
Special Revenue	178,048	206,513	28,465
Capital Projects	24,130	19,661	(4,469)
Nonexpendable Trust	1,500	1,560	60
Total	\$343,525	\$341,292	(\$2,233)

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

<b>2004 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$184,532	\$125,665	\$58,867
Special Revenue	315,270	215,906	99,364
Capital Projects	24,130	19,661	4,469
Nonexpendable Trust	1,500	0	1,500
Total	\$525,432	\$361,232	\$164,200

The Township did not establish a separate fund to account for tax levy money received and disbursed to the Earl Sloan Public Library. As a result Ohio Rev. Code Section 5705.09 was violated.

The Township recorded some restricted revenues in the wrong fund which violated the requirements Ohio Revised Code Section 5705.10.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

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

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

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

**5. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.



**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**6. RISK MANAGEMENT**

**Risk Pool Membership**

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

**Casualty Coverage**

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**Property Coverage**

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

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

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

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**Financial Position**

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004.

<b>Casualty Coverage</b>	<b>2005</b>	<b>2004</b>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	\$18,141,062	\$17,046,241
<b>Property Coverage</b>	<b>2005</b>	<b>2004</b>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	\$7,771,765	\$7,045,167

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$12,656.

**7. RELATED ORGANIZATION**

The Dr. Earl Sloan Public Library (the Library) is a distinct political subdivision of the State of Ohio. The Library is governed by a five member Board of Trustees. The Library possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the Township for operational subsidies. Although the Township does serve as the taxing authority and may issue tax related debt on behalf of the Library, its roll is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Clerk/Treasurer at the Dr. Earl Sloan Public Library, 2817 Sandusky Street, Zanesfield, Ohio 43360-0116.



## Auditor of State Betty Montgomery

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

Jefferson Township  
Logan County  
1826 CR 25 South  
Bellefontaine, Ohio 43358

To the Board of Trustees:

We have audited the financial statements of Jefferson Township, Logan County, (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 27, 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 also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated October 27, 2006, we reported matters involving internal control over financial reporting we did not deem reportable conditions.

#### **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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the Township's management dated October 27, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Jefferson Township  
Logan County  
Independent Accountants' Report On Internal Control Over  
Financial Reporting And On Compliance And Other Matters  
Required By *Government Auditing Standards*

We intend this report solely for the information and use of the management and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 27, 2006

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.09** states that each subdivision must establish a special fund for each special levy. The Township is the taxing authority for the Dr. Earl Sloan Public Library (the Library). As a result, the tax levy receipts and related homestead and rollback receipts are distributed to the Township and then paid to the Library. The Township recorded the collection and distribution of these receipts belonging to the Library in the General Fund instead of establishing a separate fund. The accompanying financial statements have been adjusted to reflect the receipt (taxes and intergovernmental) and disbursement (intergovernmental expenditures) of this money, in the amount of \$22,849 during 2005 and \$22,045 during 2004, in the Special Revenue Fund Type instead of the General Fund. Since there was not a fund balance at year-end, no adjustment is necessary to the Township accounting records.

The Township should establish a separate fund to account for the receipts and expenditures belonging to the Library.

**OFFICIALS' RESPONSE**

During the prior audit period, the fiscal officer inquired of the prior audit team specifically how Dr. Sloan Library levy monies should be reported on the UAN system. The verbal response from the prior auditor was to report receipts and expenditures in the General Fund using separate account code for receipts and expenditures.

The Township understands a separate fund for Library levy activity must be established and will make appropriate changes on the UAN system in November 2006.

**FINDING NUMBER 2005-002**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.10** states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. **AOS Bulletin 98-013** requires the establishment of a separate fund for grants received from the Federal Emergency Management Agency (FEMA).

During 2005, the Township established a separate fund to account for a FEMA grant in the amount of \$10,317, however, the grant was recorded directly into the funds that incurred the expenditures prior to the receipt of the grant. The accompanying financial statements have been adjusted to correctly reflect the receipt and expenditure of this grant. Since the grant was completely spent during 2005, there is no impact on the Township accounting records.

**Ohio Rev. Code Section 5705.10** further states interest earned on a cemetery bequest fund is to be credited to that fund. During 2005, cemetery bequest interest in the amount of \$1,595 was recorded in the General Fund instead of the Cemetery Bequest Funds (Nonexpendable Trust Funds). The accompanying financial statements have been adjusted to reflect the \$1,595 in the Cemetery Bequest Funds (Nonexpendable Trust Funds) instead of the General Fund. The Township has made the necessary adjustments to increase/decrease fund balances to properly reflect this interest revenue.

The Township should periodically review the accounting records to help assure that all required funds have been established and are being used to record the applicable financial activity.

### OFFICIALS' RESPONSE

The fiscal officer referred to Auditor of State Bulletin 98-013 which states:

"Place all funds into a special FEMA fund," (Fiscal Officer did)

"For work completed and paid for, reimburse the fund(s) used to pay for the goods and/or services (before the FEMA money was received)." The bulletin states three approaches in doing this. Jefferson Township chose the third approach of "transferring the FEMA money from the FEMA fund to the fund that made the original payments."

The Fiscal Officer contacted UAN and they advised "a memo receipt is the best way to handle FEMA money." Logan County Auditor Mike Yoder advised "to book the receipt in the fund(s) where purchases were expended." With various approaches as explained in AOF Bulletin 98-012 to consider and input from different entities, the transaction became confusing. The Township better understands the approach that Assistant Auditor Jones explained and will contact the Audit Division should questions arise with similar circumstances in the future.

Regarding interest earned in the amount of \$1,595. on a bond for Nonexpendable Trust money: This amount was moved from the General Fund to the Nonexpendable Trust Fund by an audit adjustment. A copy of the audit adjustment has been provided to the Auditors. The Township understands all future interest earned on the Nonexpendable Trust money will be recorded in said Fund.

JEFFERSON TOWNSHIP  
LOGAN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	ORC Sec. 5705.10 – Restricted revenue was recorded in the wrong fund	No	Repeated as finding 2005-002.







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Betty Montgomery**

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**JEFFERSON TOWNSHIP**

**LOGAN 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  
NOVEMBER 30, 2006**