

**JEFFERSON TOWNSHIP
NOBLE COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Years Ended
December 31, 2004 and 2003

REBECCA MASSEY, CLERK



Mary Taylor, CPA

Auditor of State

Board of Trustees
Jefferson Township
38295 TR 282
Dexter City, Ohio 45727

We have reviewed the *Independent Auditor's Report* of Jefferson Township, Noble County, prepared by Julian & Grube, Inc., for the audit period January 1, 2003 through December 31, 2004. 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

July 13, 2007

This Page is Intentionally Left Blank.

**JEFFERSON TOWNSHIP
NOBLE COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 - 2
Combined Statement of Cash Fund Balances - All Fund Types - December 31, 2004 and 2003	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - All Governmental Fund Types - For The Year Ended December 31, 2004	4
Combined Statement of Cash Receipts, Cash Disbursements, and Encumbrances Compared with Expenditure Authority - Budget and Actual - For The Year Ended December 31, 2004	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - All Governmental Fund Types and Similar Fiduciary Fund Type For The Year Ended December 31, 2003	6
Combined Statement of Cash Receipts, Cash Disbursements, and Encumbrances Compared with Expenditure Authority - Budget and Actual - For The Year Ended December 31, 2003	7
Notes to the Financial Statements.....	8 - 13
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14 - 15
Schedule of Findings	16 - 17
Status of Prior Audit Findings	18 - 19



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Jefferson Township
Noble County
38295 TR 282
Dexter City, OH 45727

We have audited the accompanying financial statements of Jefferson Township, Noble County, as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of Jefferson 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 discussed more fully in Note 2, Jefferson 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 Jefferson Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While Jefferson 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. Jefferson Township has elected not to reformat its statements. Since Jefferson 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 year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Jefferson Township as of December 31, 2004, or its changes in financial position for the year then ended.

Independent Auditor's Report
Jefferson Township
Page 2

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of Jefferson Township, Noble County, as of and for the years ended December 31, 2004 and 2003, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting Note 2 describes.

As disclosed in Note 3, the Township has prior period adjustments to its fund balances at January 1, 2003.

The aforementioned revision to generally accepted accounting principles also requires Jefferson Township to include Management's Discussion and Analysis for the year ended December 31, 2004. Jefferson 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 23, 2007, on our consideration of Jefferson 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* and should be considered in assessing the results of our audit.



Julian & Grube, Inc.
May 23, 2007

**JEFFERSON TOWNSHIP
NOBLE COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2004 AND 2003

<u>Cash and Cash Equivalents</u>	<u>2004</u>	<u>2003</u>
Cash and Cash Equivalents	\$ 79,823	\$ 36,938
Total Cash and Cash Equivalents	<u>\$ 79,823</u>	<u>\$ 36,938</u>
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 6,555	\$ 23,846
Special Revenue Funds	<u>73,268</u>	<u>13,092</u>
Total Governmental Fund Types	<u>79,823</u>	<u>36,938</u>
 Total Cash Fund Balances	 <u>\$ 79,823</u>	 <u>\$ 36,938</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**JEFFERSON TOWNSHIP
NOBLE COUNTY, OHIO**

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

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash receipts:			
Local taxes	\$ 2,685	\$ 6,668	\$ 9,353
Intergovernmental	6,848	142,077	148,925
Miscellaneous	-	1,531	1,531
Total cash receipts	<u>9,533</u>	<u>150,276</u>	<u>159,809</u>
Cash disbursements:			
Current:			
General government	20,451	1,869	22,320
Public works	6,373	77,941	84,314
Health	-	300	300
Other	-	9,990	9,990
Total cash disbursements	<u>26,824</u>	<u>90,100</u>	<u>116,924</u>
Total cash receipts over/(under) cash disbursements	<u>(17,291)</u>	<u>60,176</u>	<u>42,885</u>
Excess of cash receipts over/(under) cash disbursements	(17,291)	60,176	42,885
Cash fund balances, January 1, 2004	<u>23,846</u>	<u>13,092</u>	<u>36,938</u>
Cash fund balances, December 31, 2004	<u>\$ 6,555</u>	<u>\$ 73,268</u>	<u>\$ 79,823</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**JEFFERSON TOWNSHIP
NOBLE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2004 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding at 12/31/04	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 22,605	\$ 9,368	\$ 31,973	\$ 9,533	\$ 165	\$ -	\$ 31,564	\$ 31,564	\$ 26,824	\$ 555	\$ 27,379	\$ 4,185
Special Revenue	14,408	151,012	165,420	150,276	(736)	-	87,808	87,808	90,100	938	91,038	(3,230)
Total (Memorandum Only)	\$ 37,013	\$ 160,380	\$ 197,393	\$ 159,809	\$ (571)	\$ -	\$ 119,372	\$ 119,372	\$ 116,924	\$ 1,493	\$ 118,417	\$ 955

**JEFFERSON TOWNSHIP
NOBLE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	
Cash receipts:				
Local taxes	\$ 2,371	\$ 4,857	\$ -	\$ 7,228
Intergovernmental	30,914	82,865	-	113,779
Miscellaneous	-	7,536	-	7,536
Total cash receipts	<u>33,285</u>	<u>95,258</u>	<u>-</u>	<u>128,543</u>
Cash disbursements:				
Current:				
General government	9,422	97	-	9,519
Public safety	549	-	-	549
Public works	450	72,664	-	73,114
Health	735	-	-	735
Miscellaneous	-	7,131	-	7,131
Debt service:				
Principal retirement	-	5,469	-	5,469
Interest and fiscal charges	-	317	-	317
Total cash disbursements	<u>11,156</u>	<u>85,678</u>	<u>-</u>	<u>96,834</u>
Total cash receipts over cash disbursements	<u>22,129</u>	<u>9,580</u>	<u>-</u>	<u>31,709</u>
Other financing (disbursements):				
Other uses	-	-	(5,500)	(5,500)
Total other financing (disbursements)	<u>-</u>	<u>-</u>	<u>(5,500)</u>	<u>(5,500)</u>
Excess of cash receipts over/(under) cash disbursements and other financing disbursements	22,129	9,580	(5,500)	26,209
Cash fund balances, January 1, 2003	<u>1,717</u>	<u>3,512</u>	<u>5,500</u>	<u>10,729</u>
Cash fund balances, December 31, 2003	<u>\$ 23,846</u>	<u>\$ 13,092</u>	<u>\$ -</u>	<u>\$ 36,938</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**JEFFERSON TOWNSHIP
NOBLE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2003 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding at 12/31/03	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 1,426	\$ 9,342	\$ 10,768	\$ 33,285	\$ 23,943	\$ -	\$ 10,186	\$ 10,186	\$ 11,156	\$ -	\$ 11,156	\$ (970)
Special Revenue	3,805	102,664	106,469	95,258	(7,406)	-	71,295	71,295	85,678	-	85,678	(14,383)
Total (Memorandum Only)	\$ 5,231	\$ 112,006	\$ 117,237	\$ 128,543	\$ 16,537	\$ -	\$ 81,481	\$ 81,481	\$ 96,834	\$ -	\$ 96,834	\$ (15,353)

**JEFFERSON TOWNSHIP
NOBLE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 1 - DESCRIPTION OF THE ENTITY

Jefferson Township, Noble County, Ohio, (the "Township") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides Road and bridge maintenance (public works), cemetery maintenance (health), and fire protection. The Township contracts with the Salem Township and Caldwell Volunteer Fire Department to provide fire services.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Township's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Township are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Township:

General Fund - The general fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund Type - These funds are used to account for proceeds of specific revenue sources (other than from trusts or for capital projects) that are legally restricted to expenditure for specific purposes.

The Township had the following significant special revenue fund:

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

Fiduciary Funds (Agency and Trust Fund) - These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following fiduciary fund:

Oil Bonds Fund (Agency) - The Township received bond money from oil companies who were using Township roads.

B. BASIS OF ACCOUNTING

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

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

**JEFFERSON TOWNSHIP
NOBLE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The primary level of budgetary control is at the item level within a department and fund. Any budgetary modifications at this level may only be made by resolution of the Township's Board of Trustees. The Township had several budget modifications throughout the years ended December 31, 2004 and 2003.

Tax Budget - A budget of estimated cash receipts and disbursements is 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. All funds, except certain agency funds, are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Township by September 1. As part of this certification, the Township receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Township determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Township must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the legal 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.

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. The Township had outstanding encumbrances at December 31, 2004 and none at December 31, 2003.

D. CASH AND CASH EQUIVALENTS AND INVESTMENTS

For reporting purposes, the Township considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Township with a maturity date less than or equal to three months from the date of purchase. There was no interest income earned and received by the Township for the years ended December 31, 2004 and 2003.

**JEFFERSON TOWNSHIP
NOBLE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Township's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded by the Township.

F. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

G. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Township's cash basis method of accounting.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 - PRIOR PERIOD ADJUSTMENT

The Township is restating its fund balances at January 1, 2003. The prior period adjustment is reclassification of disbursements and recording of prior year audit adjustments. The prior period adjustments had the following effects on the Township's fund balances:

	<u>Balance</u>	<u>Prior Period</u>	<u>Restated</u>
<u>Fund Type/Fund</u>	<u>01/01/03</u>	<u>Adjustment</u>	<u>Balance</u>
			<u>01/01/03</u>
General	\$ 1,426	\$ 291	\$ 1,717
<u>Special Revenue Funds</u>			
Motor Vehicle License Tax	398	1,423	1,821
Gasoline Tax	1,724	(1,581)	143
Road and Bridge	666	885	1,551
Cemetery	801	(625)	176
Permissive	214	(393)	(179)
Total Special Revenue Funds	<u>3,803</u>	<u>(291)</u>	<u>3,512</u>
<u>Agency Fund</u>			
Oil Bond	<u>5,500</u>	<u>-</u>	<u>5,500</u>
Total All Funds	<u>\$ 10,729</u>	<u>\$ -</u>	<u>\$ 10,729</u>

**JEFFERSON TOWNSHIP
NOBLE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 4 - COMPLIANCE

- i. The following funds had disbursements in excess of appropriations for the years ended December 31, 2004 and 2003, in noncompliance with Ohio Revised Code Section 5705.41 (B):

<u>Fund Type/Fund</u>	<u>2004</u>	<u>2003</u>
General Fund	\$ -	\$ 970
<u>Special Revenue Funds</u>		
Gasoline Tax	4,145	19,318
Road and Bridge	429	-

Disclosure is presented at the fund level due to the impracticality of determining item level amounts.

- ii. The Township did not certify expenditures in a timely manner for the years ended December 31, 2004 and 2003 in noncompliance with Ohio Revised Code Section 5705.41(D).

NOTE 5 - CASH AND CASH EQUIVALENTS

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

	<u>2004</u>	<u>2003</u>
Deposits: Demand deposits	<u>\$ 79,823</u>	<u>\$ 36,938</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

NOTE 6 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by January 20. If the property owner elects to make semiannual payments, the first half is due January 20. The second half payment is due on 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.

**JEFFERSON TOWNSHIP
NOBLE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 7 - DEBT OBLIGATIONS

At December 31, 2004, the Township had no debt obligations.

Transactions for the year ended December 31, 2003 are summarized as follows:

<u>Description</u>	<u>Balance at January 1</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at December 31</u>
<u>2003:</u>				
Business Loan - Truck	\$ 5,469	\$ -	\$ (5,469)	\$ -

NOTE 8 - MISCELLANEOUS RECEIPTS

Miscellaneous receipts in the Special Revenue Fund Type for the year ended December 31, 2003 consisted of various reimbursements and refunds and collection of bonds for damage to roads from through trucks.

NOTE 9 - RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, members of OPERS participants contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of their wages to OPERS. The Township has paid all contributions required through December 31, 2004 and 2003.

NOTE 10 - RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio Townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to 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. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage - OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

**JEFFERSON TOWNSHIP
NOBLE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 10 - RISK MANAGEMENT - (Continued)

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

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,:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 30,687,203	\$ 27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained earnings	<u>\$ 17,046,241</u>	<u>\$ 16,000,923</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 7,799,073	\$ 6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained earnings	<u>\$ 7,045,167</u>	<u>\$ 6,040,104</u>

NOTE 11 - CONTINGENT LIABILITIES

The Township is not currently involved in litigation.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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***

Jefferson Township
Noble County
38295 TR 282
Dexter City, OH 45727

We have audited the financial statements of Jefferson Township, Noble County, Ohio as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated May 23, 2007, wherein we noted Jefferson Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. As disclosed in Note 3, the Township has prior period adjustments to its fund balances at January 1, 2003. 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 Jefferson 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 two matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions caused by error or fraud. 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 Jefferson Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2004-JT-003 and 2004-JT-004.

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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Of the reportable conditions described above, we consider items 2004-JT-003 and 2004-JT-004 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to the management of Jefferson Township in a separate letter dated May 23, 2007.

Board of Trustees
Jefferson Township

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 two instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-JT-001 and 2004-JT-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of Jefferson Township in a separate letter dated May 23, 2007.

This report is intended for the information of the Trustees and management of Jefferson Township and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
May 23, 2007

**JEFFERSON TOWNSHIP
NOBLE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2004-JT-001

Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the Township had disbursements in excess of appropriations in the following funds:

<u>Fund Type/Fund</u>	<u>2004</u>	<u>2003</u>
General Fund	\$ -	\$ 970
<u>Special Revenue Funds</u>		
Gasoline Tax	4,145	19,318
Road and Bridge	429	-

Disclosure is presented at the fund level due to the impracticality of determining item level amounts.

With disbursements exceeding appropriations, the Township is spending monies that have not lawfully been appropriated by Township Trustees. This may result in unnecessary spending.

We recommend that the Township comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring their expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: The Township Trustees will attempt to pass permanent appropriations in a timely manner in accordance with the Ohio Revised Code.

Finding Number	2004-JT-002
----------------	-------------

Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit that the Township Clerk/Treasurer issued Clerk Certificates; however, many disbursements were dated prior to the certificate, for the years ended December 31, 2004 and 2003.

Without timely certification, the Township may expend more funds than available in the treasury, in the process of collection or than funds appropriated by the Township Trustees, which could potentially lead to negative fund balances. In addition, the Township may make unnecessary purchases.

We recommend that the Township Clerk/Treasurer timely certify its disbursements, to lessen the risk that monies expended are not lawfully appropriated and available in the treasury or in the process of collection. The Township should issue approved purchase orders and consider using blanket and super blanket purchase orders and/or "Then" and "Now" certificates where applicable.

**JEFFERSON TOWNSHIP
NOBLE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2004-JT-002 - (Continued)

Client Response: The Clerk/Treasurer will attempt to certify Clerk Certificates in a more timely manner based on approved permanent appropriations.

Finding Number	2004-JT-003
----------------	-------------

Based upon the results of observations made during our audit, we noted the Township has a serious lack of control and direction regarding the accounting system and overall fiscal management.

In general, an accounting and information system should be designed to provide management with accurate and timely financial information to enable well-informed business decisions to be made.

The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We strongly suggest that the Township seriously consider creating an accounting and information environment that will facilitate the production of accurate financial information and related preparation of financial statements and provide for accountability of assets and the maintenance of an accurate historical record of operations. Accounting and financial information is the language of business and must be properly assessed and comprehended to allow for management to guide and direct the Township in the future. This may require and be achieved by additional training for the Clerk/Treasurer.

Client Response: The Township Trustees will attempt to require financial data to be submitted for approval and review in a timely manner.

Finding Number	2004-JT-004
----------------	-------------

It was noted during the audit that the bank statement and fund balances were not reconciled on a monthly basis to zero or to an easily identifiable difference.

It is important to reconcile properly bank statements monthly to easily identify discrepancies in cash and the Township records and to ensure all amounts are properly recorded.

Once the reconciliations were performed in 2007, the 2004 differences totaled a \$442 difference and the 2003 differences totaled \$74. In addition to these overall differences, there were 15 and 14 individual transaction discrepancies not identified until the audit was performed for the years ended December 31, 2005 and 2004.

We recommend that the bank account be reconciled monthly to the Township UAN system and that all reconciling items be promptly investigated and adjusted, if necessary with adequate explanations and approval by the Trustees. We further recommend that the Township review and sign off on all monthly bank reconciliations and supporting documentation timely. This will help ensure proper accounting balances. We further recommend the Township consider obtaining a periodic review of transactions recorded and bank reconciliations prior to year end close by a responsible fiscal person. This will help ensure any discrepancies found can be corrected and thus help facilitate more accurate financial reporting.

Client Response: The Township Trustees will attempt to review the monthly bank reconciliations in a timely manner.

**JEFFERSON TOWNSHIP
NOBLE COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Ohio Rev. Code 5705.41 (D) states that no subdivision or taxing unit shall make any contact or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Finding repeated as 2004-JT-003.
2002-002	Ohio Rev. Code 5705.41 (B) requires no subdivision or taxing authority to expend money unless it has been appropriated.	No	Finding repeated as 2004-JT-002.
2002-003	Ohio Rev. Code 505.24 states that the Township Trustees shall be paid from the general fund or from such other Township funds in such proportions as the board may specify by resolution.	No	Now located as a recommendation in management letter.
2002-004	Ohio Rev. Code 5735.27 (A)(5) requires the funds received from the gasoline excise tax shall be expended by each township to plan, construct, maintain, widen, and reconstruct the public roads and highways within such township. Ohio Rev. Code 4503.02 requires the funds received from an annual license tax shall be used for planning, constructing, maintaining, and repairing roads, highways, and streets; maintaining and repairing bridges and viaducts.	Yes	N/A
2002-005	Ohio Rev. Code 5705.10 states that all revenue derived from a special levy is to credited to a special fund for the purpose for which the levy was made.	No	Now located as a citation in management letter.

**JEFFERSON TOWNSHIP
NOBLE COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-006	Ohio Rev. Code 97-003 states that in order to advance cash from one fund to another there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established. Ohio Rev. Code Section 5705.10 restricts the purpose for which funds may be used.	Yes	N/A



Mary Taylor, CPA
Auditor of State

JEFFERSON TOWNSHIP

NOBLE 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
JULY 26, 2007**