



Mary Taylor, CPA
Auditor of State

JEFFERSON TOWNSHIP
WILLIAMS COUNTY

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Mary Taylor, CPA Auditor of State

Jefferson Township
Williams County
09991 County Road 16
Bryan, Ohio 43506-9781

To the Township 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 an 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 adverse 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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 22, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Jefferson Township
Williams County
09991 County Road 16
Bryan, Ohio 43506-9781

To the Township Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Williams County, (the Township) as of and for the years ended December 31, 2006 and 2005. 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 115.56 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.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, 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, 2006 and 2005, 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, Williams County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As further described in Note 2 to the financial statements, the Township reclassified its fiduciary funds to special revenue fund type in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement number 34.

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 August 22, 2007, 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.



Mary Taylor, CPA
Auditor of State

August 22, 2007

**JEFFERSON TOWNSHIP
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | <u>Governmental Fund Types</u> | | | | Totals (Memorandum Only) |
|-----------------------------------------------------------------------------------------|--------------------------------|--------------------------------|-------------------------------|----------------------------|-----------------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Fiduciary Funds</u> | |
| Cash Receipts: | | | | | |
| Property and Other Local Taxes | \$74,771 | \$118,336 | | \$44,538 | \$237,645 |
| Licenses, Permits, and Fees | | 21,333 | | | 21,333 |
| Intergovernmental | 103,220 | 106,425 | | | 209,645 |
| Earnings on Investments | 18,754 | 2,745 | | | 21,499 |
| Miscellaneous | 51,583 | 16,170 | | | 67,753 |
| | | | | | |
| Total Cash Receipts | <u>248,328</u> | <u>265,009</u> | | <u>44,538</u> | <u>557,875</u> |
| | | | | | |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 98,680 | | | | 98,680 |
| Public Safety | | 49,494 | | | 49,494 |
| Public Works | 7,986 | 119,662 | | | 127,648 |
| Health | 10,026 | 10,346 | | | 20,372 |
| Capital Outlay | 49,258 | 9,844 | | | 59,102 |
| | | | | | |
| Total Cash Disbursements | <u>165,950</u> | <u>189,346</u> | | | <u>355,296</u> |
| | | | | | |
| Total Cash Receipts Over Cash Disbursements | <u>82,378</u> | <u>75,663</u> | | <u>44,538</u> | <u>202,579</u> |
| | | | | | |
| Other Financing Disbursements: | | | | | |
| Other Uses | | | | (\$44,538) | (44,538) |
| | | | | | |
| Excess of Cash Receipts Over Cash Disbursements and Other Financing Disbursements | 82,378 | 75,663 | | | 158,041 |
| | | | | | |
| Fund Cash Balances, January 1 | <u>290,449</u> | <u>108,095</u> | <u>\$13,222</u> | | <u>411,766</u> |
| | | | | | |
| Fund Cash Balances, December 31 | <u><u>\$372,827</u></u> | <u><u>\$183,758</u></u> | <u><u>\$13,222</u></u> | | <u><u>\$569,807</u></u> |

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

**JEFFERSON TOWNSHIP
WILLIAMS COUNTY**

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

| | <u>Governmental Fund Types</u> | | | | Totals (Memorandum Only) |
|---------------------------------------------------------------------------------------------------|--------------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Fiduciary Funds</u> | |
| Cash Receipts: | | | | | |
| Property and Other Local Taxes | \$67,140 | \$112,957 | | \$39,078 | \$219,175 |
| Licenses, Permits, and Fees | | 19,630 | | | 19,630 |
| Intergovernmental | 91,558 | 98,649 | \$17,900 | | 208,107 |
| Earnings on Investments | 10,596 | 1,342 | | | 11,938 |
| Miscellaneous | 42,170 | 13,150 | | | 55,320 |
| Total Cash Receipts | <u>211,464</u> | <u>245,728</u> | <u>17,900</u> | <u>39,078</u> | <u>514,170</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 100,169 | | | | 100,169 |
| Public Safety | 483 | 47,473 | | | 47,956 |
| Public Works | 36,194 | 202,634 | | | 238,828 |
| Health | 9,822 | 12,018 | | | 21,840 |
| Capital Outlay | 9,792 | 17,850 | 17,900 | | 45,542 |
| Total Cash Disbursements | <u>156,460</u> | <u>279,975</u> | <u>17,900</u> | | <u>454,335</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>55,004</u> | <u>(34,247)</u> | | <u>39,078</u> | <u>59,835</u> |
| Other Financing Disbursements: | | | | | |
| Other Uses | | | | (\$39,078) | (39,078) |
| Excess of Cash Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements | 55,004 | (34,247) | | | 20,757 |
| Fund Cash Balances, January 1 | <u>235,445</u> | <u>142,342</u> | <u>13,222</u> | | <u>391,009</u> |
| Fund Cash Balances, December 31 | <u><u>\$290,449</u></u> | <u><u>\$108,095</u></u> | <u><u>\$13,222</u></u> | | <u><u>\$411,766</u></u> |

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

**JEFFERSON TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Jefferson Township, Williams 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 and cemetery maintenance. The Township contracts with the City of Bryan, the Village of Montpelier, Brady Township, and Madison Township to provide fire services.

The Township participates in the Ohio Township Association Risk Management public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

C. Cash and Investments

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

The Township values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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.

**JEFFERSON TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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.

Fire Levy Fund - This fund receives property tax money to pay for fire runs within the Township. The fund also receives money for reimbursement of fire runs for nonresidents.

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 significant capital project fund:

Miscellaneous Capital Projects - CDBG Fund - The Township received a grant from the State of Ohio through Williams County to pave streets in the Sunset View Addition and remove six mobile homes.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for a portion of hotel/motel tax money that is remitted to the Jefferson Township and Holiday City Visitors and Convention Bureau.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**JEFFERSON TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 canceled, and reappropriated in the subsequent year.

A summary of 2006 and 2005 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.

G. Accumulated Leave

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

2. ACCOUNTING CHANGE

In 2005, the Township reclassified the Cemetery Bequest Fund, which was previously classified as a fiduciary fund, to a special revenue fund. The reclassification was in accordance with GASB Statement number 34. The reclassification had the following effect on January 1, 2005 fund balances:

| | Special Revenue Funds | Fiduciary Funds |
|--------------------------------------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Cash Fund Balance, as previously reported, December 31, 2004 | \$141,945 | \$397 |
| Fund Reclassification | <u>397</u> | <u>(397)</u> |
| Cash Fund Balance, as restated at, January 1, 2005 | <u>\$142,342</u> | <u>\$ -0-</u> |

**JEFFERSON TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. 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:

| | 2006 | 2005 |
|--------------------------------|-----------|-----------|
| Demand deposits | \$376,585 | \$318,544 |
| Certificates of deposit | 100,000 | |
| Total deposits | 476,585 | 318,544 |
| STAR Ohio | 93,222 | 93,222 |
| Total deposits and investments | \$569,807 | \$411,766 |

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

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

| 2006 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$214,870 | \$248,328 | \$33,458 |
| Special Revenue | 222,533 | 265,009 | 42,476 |
| Fiduciary | 45,000 | 44,538 | (462) |
| Total | \$482,403 | \$557,875 | \$75,472 |

| 2006 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|-------------------------------------------------------|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$346,870 | \$165,950 | \$180,920 |
| Special Revenue | 284,075 | 189,346 | 94,729 |
| Capital Projects | 13,222 | | 13,222 |
| Fiduciary | 44,538 | 44,538 | |
| Total | \$688,705 | \$399,834 | \$288,871 |

**JEFFERSON TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. BUDGETARY ACTIVITY – (CONTINUED)

| 2005 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$206,873 | \$211,464 | \$4,591 |
| Special Revenue | 249,352 | 245,728 | (3,624) |
| Capital Projects | 17,900 | 17,900 | |
| Fiduciary | 39,078 | 39,078 | |
| Total | \$513,203 | \$514,170 | \$967 |

| 2005 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|-------------------------------------------------------|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$357,818 | \$156,460 | \$201,358 |
| Special Revenue | 326,559 | 279,975 | 46,584 |
| Capital Projects | 13,222 | 17,900 | (4,678) |
| Fiduciary | 40,000 | 39,078 | 922 |
| Total | \$737,599 | \$493,413 | \$244,186 |

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Miscellaneous Capital Projects – CDBG fund by \$17,900 for the year ended December 31, 2005.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

Casualty Coverage

For an occurrence prior to January 1, 2006, 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. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage 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 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

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.

**JEFFERSON TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. RISK MANAGEMENT – (CONTINUED)

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 values. 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 2006 was \$1,901,127.

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.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

| <u>Casualty Coverage</u> | <u>2006</u> | <u>2005</u> |
|------------------------------|---------------------|---------------------|
| Assets | \$32,031,312 | \$30,485,638 |
| Liabilities | <u>(11,443,952)</u> | <u>(12,344,576)</u> |
| Retained earnings | <u>\$20,587,360</u> | <u>\$18,141,062</u> |
| <u>Property Coverage</u> | <u>2006</u> | <u>2005</u> |
| Assets | \$10,010,963 | \$9,177,796 |
| Liabilities | <u>(676,709)</u> | <u>(1,406,031)</u> |
| Retained earnings | <u>\$9,334,254</u> | <u>\$7,771,765</u> |

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$11,062. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**JEFFERSON TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. RISK MANAGEMENT – (CONTINUED)

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA

| | |
|------|----------|
| 2004 | \$ 5,307 |
| 2005 | \$ 5,281 |
| 2006 | \$ 5,531 |

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



Mary Taylor, CPA

Auditor of State

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

Jefferson Township
Williams County
09991 County Road 16
Bryan, Ohio 43506-9781

To the Township Board of Trustees:

We have audited the financial statements of Jefferson Township, Williams County, (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 22, 2007, 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 and reclassified its fiduciary funds to special revenue funds. We also noted 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. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated August 22, 2007.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We also noted certain noncompliance not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 22, 2007.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

Jefferson Township
Williams County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 3

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

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

Mary Taylor, CPA
Auditor of State

August 22, 2007

**JEFFERSON TOWNSHIP
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Noncompliance Citation and Significant Deficiency

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

In 2005, the Township had \$17,900 of expenditures in the Capital Projects – CDBG fund but no monies were appropriated.

The failure to limit expenditures to appropriated amounts may result in the Township expending funds in excess of available resources. The Township should periodically compare expenditures and encumbrances to appropriations to determine if a modification to appropriations is necessary.

Officials' Response

Management did not respond to this finding.

FINDING NUMBER 2006-002

Noncompliance Citation and Significant Deficiency

Ohio Revised Code Section 135.21 states all investment earnings on money included within a public deposit of a subdivision, except as otherwise expressly provided by law, shall be credited to the general fund.

Interest proceeds from the Farmers & Merchants State Bank commercial sweep account were allocated to the General, Motor Vehicle License Tax, Gasoline Tax, and Permissive Motor Vehicle License Tax funds in equal amounts.

Based on a recalculation of interest allocation for 2005 using beginning and ending year fund balances, excess interest proceeds were allocated to the Motor Vehicle License Tax Fund (\$2,058), the Gasoline Tax fund (\$1,682), and the Permissive Motor Vehicle License Tax Fund (\$1,851). These monies should have been credited to the General Fund totaling (\$5,591).

Based on a recalculation of interest allocation for 2006 using beginning and ending year fund balances, excess interest proceeds were allocated to the Motor Vehicle License Tax Fund (\$3,961), the Gasoline Tax fund (\$2,392), and the Permissive Motor Vehicle License Tax Fund (\$3,681). These monies should have been credited to the General Fund totaling (\$10,034).

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the Motor Vehicle License Tax Fund for \$6,019, the Gasoline Tax Fund for \$4,074, and the Permissive Motor Vehicle License Tax Fund for \$5,532 in favor of the General Fund \$15,625.

The client has posted these adjustments which are reflected in the financial statements.

**FINDING NUMBER 2006-002
(Continued)**

Officials' Response

On August 20, 2007, the Board of Trustees approved the transfer of monies from the General Fund back to the Motor Vehicle License Tax, Gas Tax, and Permissive Motor Vehicle License Tax funds in the same amounts of interest improperly allocated in 2005 and 2006.

FINDING NUMBER 2006-003

Significant Deficiency - Financial Reporting

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustments.

1. Health District costs deducted from the Township's real estate tax settlement of \$10,026 in 2006 and \$9,822 in 2005 were classified as Public Safety expenditures in the General Fund. These should be Health expenditures.
2. Fire contract expenditures of \$49,494 in 2006 and \$47,473 in 2005 were classified as General Government expenditures in the Fire Levy Fund. These should be Public Safety expenditures.

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board of Trustees, to identify and correct errors and omissions. The Fiscal Officer should also review the Township Handbook's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

Officials' Response

Management did not respond to this finding.

**JEFFERSON TOWNSHIP
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|-----------------------------------------------------------------------------------------------------------------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| 2004-001 | Ohio Revised Code § 117.28 - Finding for Recovery for overpayment of Township employee. | Yes | |
| 2004-002 | Ohio Revised Code § 117.28 - Finding for Recovery for overpayment of Township employee. | Yes | |
| 2004-003 | Ohio Revised Code § 5705.36(A)(2) – Board approved appropriations in excess of actual resources. | Yes | |
| 2004-004 | Ohio Revised Code § 5705.10 – Failure to record on-behalf-of CDBG grant payments made by the Williams County Auditor. | Yes | |



Mary Taylor, CPA
Auditor of State

JEFFERSON TOWNSHIP

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 20, 2007**