



Mary Taylor, CPA  
Auditor of State



**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

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Mary Taylor, CPA  
Auditor of State

Jefferson Township  
Logan County  
P.O. Box 10  
Zanesfield, Ohio 43360

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 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

April 2, 2010

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Jefferson Township  
Logan County  
P.O. Box 10  
Zanesfield, Ohio 43360

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, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2010, 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

April 2, 2010



**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, 2009**

|   | <u>Governmental Fund Types</u> |                            |                             | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|--------------------------------|----------------------------|-----------------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> |   |
| <b>Cash Receipts:</b>   |                                |                            |                             |   |
| Property and Other Local Taxes  | \$63,372                       | \$90,788                   |                             | \$154,160                               |
| Licenses, Permits, and Fees   | 3,860                          | 2,950                      |                             | 6,810                                   |
| Intergovernmental   | 46,447                         | 111,141                    | \$24,128                    | 181,716                                 |
| Earnings on Investments   | 668                            | 2,038                      |                             | 2,706                                   |
| Miscellaneous   | 2,164                          | 811                        |                             | 2,975                                   |
| Total Cash Receipts   | <u>116,511</u>                 | <u>207,728</u>             | <u>24,128</u>               | <u>348,367</u>                          |
| <b>Cash Disbursements:</b>  |                                |                            |                             |   |
| <b>Current:</b>   |                                |                            |                             |   |
| General Government  | 103,377                        |                            |                             | 103,377                                 |
| Public Works  | 71,114                         | 80,839                     |                             | 151,953                                 |
| Health  |                                | 15,237                     |                             | 15,237                                  |
| Conservation - Recreation   |                                | 11,259                     |                             | 11,259                                  |
| Intergovernmental   |                                | 23,503                     |                             | 23,503                                  |
| Capital Outlay  |                                | 72,707                     | 24,128                      | 96,835                                  |
| Total Cash Disbursements  | <u>174,491</u>                 | <u>203,545</u>             | <u>24,128</u>               | <u>402,164</u>                          |
| Total Receipts Over/(Under) Disbursements   | <u>(57,980)</u>                | <u>4,183</u>               |                             | <u>(53,797)</u>                         |
| <b>Other Financing Receipts:</b>  |                                |                            |                             |   |
| Other Debt Proceeds   |                                | 65,097                     |                             | 65,097                                  |
| Total Other Financing Receipts  |                                | <u>65,097</u>              |                             | <u>65,097</u>                           |
| Excess of Cash Receipts and Other Financing<br>Receipts Over / (Under) Cash Disbursements | (57,980)                       | 69,280                     |                             | 11,300                                  |
| Fund Cash Balances, January 1   | <u>131,499</u>                 | <u>225,831</u>             |                             | <u>357,330</u>                          |
| Fund Cash Balances, December 31   | <u>\$73,519</u>                | <u>\$295,111</u>           | <u>\$0</u>                  | <u>\$368,630</u>                        |

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

JEFFERSON TOWNSHIP  
LOGAN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN FUND CASH BALANCE - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2009

|                                | <u>Fiduciary<br/>Fund Type</u>   |
|--------------------------------|----------------------------------|
|                                | <u>Private Purpose<br/>Trust</u> |
| Fund Cash Balance, January 1   | <u>\$809</u>                     |
| Fund Cash Balance, December 31 | <u><u>\$809</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, 2008**

|                                      | <u>Governmental Fund Types</u> |                            | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--------------------------------------|--------------------------------|----------------------------|---|
|                                      | <u>General</u>                 | <u>Special<br/>Revenue</u> |   |
| <b>Cash Receipts:</b>                |                                |                            |   |
| Property and Other Local Taxes       | \$61,609                       | \$89,224                   | \$150,833                               |
| Licenses, Permits, and Fees          | 3,659                          | 1,742                      | 5,401                                   |
| Intergovernmental                    | 48,938                         | 108,175                    | 157,113                                 |
| Earnings on Investments              | 6,999                          | 1,729                      | 8,728                                   |
| Miscellaneous                        | 1,478                          | 2,320                      | 3,798                                   |
| Total Cash Receipts                  | <u>122,683</u>                 | <u>203,190</u>             | <u>325,873</u>                          |
| <b>Cash Disbursements:</b>           |                                |                            |   |
| <b>Current:</b>                      |                                |                            |   |
| General Government                   | 89,308                         |                            | 89,308                                  |
| Public Works                         | 46,806                         | 146,173                    | 192,979                                 |
| Health                               |                                | 13,315                     | 13,315                                  |
| Conservation - Recreation            |                                | 9,369                      | 9,369                                   |
| Intergovernmental                    |                                | 22,290                     | 22,290                                  |
| Capital Outlay                       |                                | 18,646                     | 18,646                                  |
| <b>Debt Service:</b>                 |                                |                            |   |
| Redemption of Principal              |                                | 18,472                     | 18,472                                  |
| Interest and Other Fiscal Charges    |                                | 866                        | 866                                     |
| Total Cash Disbursements             | <u>136,114</u>                 | <u>229,131</u>             | <u>365,245</u>                          |
| Total Receipts (Under) Disbursements | <u>(13,431)</u>                | <u>(25,941)</u>            | <u>(39,372)</u>                         |
| Fund Cash Balances, January 1        | <u>144,930</u>                 | <u>251,772</u>             | <u>396,702</u>                          |
| Fund Cash Balances, December 31      | <u>\$131,499</u>               | <u>\$225,831</u>           | <u>\$357,330</u>                        |

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

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN FUND CASH BALANCE - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2008**

|                                | <u>Fiduciary<br/>Fund Type</u>   |
|--------------------------------|----------------------------------|
|                                | <u>Private Purpose<br/>Trust</u> |
| Fund Cash Balance, January 1   | <u>\$809</u>                     |
| Fund Cash Balance, December 31 | <u><u>\$809</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, 2009 AND 2008**

**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 is taxing authority for the Dr. Earl Sloan Public Library. This relationship is further discussed in Note 4 and Note 8 to the financial statements.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. 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. Deposits 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 Federal Home Loan Mortgage Notes 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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

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

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

**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 funds:

**Public Works Fund** – This fund accounts for Issue II money and Logan County Sales Tax money spent on behalf of the Township for maintaining and repairing Township roads.

**4. Fiduciary Funds**

Fiduciary funds include private purpose trust 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.

The Township's private purpose trust fund is for the upkeep of the donors' graves. The original principal is to be maintained to generate interest income.

**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, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 2009 and 2008 budgetary activity appears in Note 3.

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

**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.

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

|   | <b>2009</b> | <b>2008</b> |
|---|-------------|-------------|
| Demand deposits                         | \$339,251   | \$329,139   |
| Federal Home Logan Mortgage Corp. Notes | 30,188      | 29,000      |
| Total deposits and investments          | \$369,439   | \$358,139   |

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

**Investments:** The Federal Reserve holds the Township's Federal Home Loan Mortgage Corporate Notes in book-entry form by, in the name of the Township's investment company. The investment company maintains records identifying the Township as owner of these notes.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

**2009 Budgeted vs. Actual Receipts**

| <b>Fund Type</b> | <b>Budgeted Receipts</b> | <b>Actual Receipts</b> | <b>Variance</b> |
|------------------|--------------------------|------------------------|-----------------|
| General          | \$125,000                | \$116,511              | (\$ 8,489)      |
| Special Revenue  | 199,900                  | 272,825                | 72,925          |
| Capital Projects | 24,128                   | 24,128                 |                 |
| Fiduciary        | 50                       |                        | (50)            |
| Total            | \$349,078                | \$413,464              | \$64,386        |

**2009 Budgeted vs. Actual Budgetary Basis Expenditures**

| <b>Fund Type</b> | <b>Appropriation Authority</b> | <b>Budgetary Expenditures</b> | <b>Variance</b> |
|------------------|--------------------------------|-------------------------------|-----------------|
| General          | \$261,667                      | \$174,491                     | \$ 87,176       |
| Special Revenue  | 388,779                        | 203,545                       | 185,234         |
| Capital Projects | 24,128                         | 24,128                        |                 |
| Fiduciary        | 50                             |                               | 50              |
| Total            | \$674,624                      | \$402,164                     | \$272,460       |

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

| <b>2008 Budgeted vs. Actual Receipts</b> |                          |                        |                 |
|--|--------------------------|------------------------|-----------------|
| <b>Fund Type</b>                         | <b>Budgeted Receipts</b> | <b>Actual Receipts</b> | <b>Variance</b> |
| General                                  | \$118,000                | \$122,683              | \$4,683         |
| Special Revenue                          | 207,400                  | 203,190                | (4,210)         |
| Total                                    | \$325,400                | \$325,873              | \$ 473          |

| <b>2008 Budgeted vs. Actual Budgetary Basis Expenditures</b> |                                |                               |                 |
|--|--------------------------------|-------------------------------|-----------------|
| <b>Fund Type</b>   | <b>Appropriation Authority</b> | <b>Budgetary Expenditures</b> | <b>Variance</b> |
| General  | \$245,141                      | \$136,114                     | \$109,027       |
| Special Revenue  | 427,269                        | 229,131                       | 198,138         |
| Total  | \$672,410                      | \$365,245                     | \$307,165       |

**4. 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.

The Township is the taxing authority for the Dr. Earl Sloan Public Library (the Library). As result, the Township receives property tax and related intergovernmental revenue on be-half of the Library and then distributes it to the Library. The receipt and distribution of this money is included in the Intergovernmental Revenue and Intergovernmental Expenditure line items, respectively.

**5. DEBT**

Debt outstanding at December 31, 2009 was as follows:

|            | <b>Principal</b> | <b>Interest Rate</b> |
|------------|------------------|----------------------|
| Dump Truck | \$65,097         | 5%                   |

On September 9, 2009, the Township entered into a promissory note to purchase a dump truck. The Township is to make annual principal and interest payments starting in 2010 with a maturity on September 9, 2013. The debt is to be paid from the Gasoline Tax Fund.



**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**5. DEBT**

Amortization of the above debt, including interest, is scheduled as follows:

| <u>Year ending December 31:</u> | <u>Promissory<br/>Note</u> |
|---------------------------------|----------------------------|
| 2010                            | \$18,354                   |
| 2011                            | 18,354                     |
| 2012                            | 18,354                     |
| 2013                            | <u>18,354</u>              |
| Total                           | <u><u>\$73,416</u></u>     |

On June 1, 2004, the Township entered into a promissory note to purchase a dump truck with a maturity on July 5, 2008. The Township paid off this debt on May 27, 2008.

**6. RETIREMENT SYSTEMS**

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

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

**7. RISK MANAGEMENT**

**A. 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 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA.

OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**7. RISK MANAGEMENT (CONTINUED)**

**B. Casualty and Property Coverage**

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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.

**C. 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, 2008 and 2007 (the latest information available):

|             | <b>2008</b>  | <b>2007</b>  |
|-------------|--------------|--------------|
| Assets      | \$40,737,740 | \$43,210,703 |
| Liabilities | (12,981,818) | (13,357,837) |
| Net Assets  | \$27,755,922 | \$29,852,866 |

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, 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 \$2,000.

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.

| <b>Contributions to OTARMA</b> |          |
|--------------------------------|----------|
| 2007                           | \$11,186 |
| 2008                           | 4,027    |
| 2009                           | 2,639    |

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 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.

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**8. 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 six 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 role 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.

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# 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  
Logan County  
P.O. Box 10  
Zanesfield, Ohio 43360

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, 2009 and 2008, and have issued our report thereon dated April 2, 2010, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 Section 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-002 described in the accompanying schedule of findings to be material weaknesses.

### **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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated April 2, 2010.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 2, 2010

**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
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**FINDING NUMBER 2009-001**

**Material Weakness**

**Financial Reporting**

To assist in the effective management and reporting of financial resources, a township should have procedures in place to help assure that revenues and expenditures are correctly recorded in the accounting records and financial statements. In 2009 and 2008, the Township's Special Revenue Library Fund had revenue classification errors of \$20,552 and \$20,390, respectively, as the result of improperly classifying property tax revenue received on behalf of the Dr. Earl Sloan Public Library (the Library). In 2008, the Gasoline Tax Fund had principal and interest payments in the amount of \$19,338 improperly classified as capital outlay.

The Township was the taxing authority for the Dr. Earl Sloan Library; therefore it collected property tax and disbursed it to the Library. In 2009, the Township reimbursed the second half personal property tax settlement in the amount of \$118 twice to the Library. In 2008, the Township did not disburse homestead and rollback in the amount of \$1,331. In addition the Township did not disburse the electric deregulation and tangible tax reimbursement in the amount of \$1,011 in 2009 and \$637 in 2008. The Township disbursed this money to the Library on March 30, 2010.

On August 25, 2009, the Township disbursed \$9,584 to the Library. However the Fiscal Officer deposited this check back into the Township's checking account. On December 29, 2009, the Township disbursed a manual check in the amount \$11,245 to the Library which was not recorded in the accounting records or the financial statements. The variance between the two disbursements of \$1,661 required adjustment to the financial statements.

On December 31, 2009, the Fiscal Officer decreased 2009 beginning balance in the Special Revenue Library Fund in the amount of \$1,331 which was not disbursed to the Library and required adjustment to the financial statements.

During 2009, the Township obtained a loan for the purchase of a dump truck; however, the accounting records and financial statements did not reflect this memo activity of \$65,097 in the Special Revenue Gasoline Tax Fund.

The failure to correctly record revenues and expenditures in the accounting records and financial statements not only impacts the user's understanding of the financial operations, it also inhibits the Township's Trustees and management's ability to make sound financial decisions, may impact the Township's ability to comply with budgetary laws, and can result in the material misstatement of the financial statements. The accompanying financial statements have been adjusted to correctly reflect this activity.

The Township Fiscal Officer should review the Ohio Township Manual, the UAN Manual, and Auditor of State Audit Bulletins for guidance in the recording of revenues. The Township's Fiscal Officer and Trustees should also perform a periodic review of the financial records to help identify revenue recording errors.

**FINDING NUMBER 2009-002**

**Material Weakness/Noncompliance Citation**

**Ohio Rev. Code Section 5705.10(D)**, 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. During 2009 and 2008 the Township failed to record personal property tax revenue, utility reimbursement revenue and personal property tax replacement revenue in the correct fund.

**Ohio Rev. Code Section 5705.10** further states, that "...money that is paid into a fund must be used only for the purposes for which such fund has been established". During 2009 and 2008, the Township recorded auditor and treasurer fees withheld from the Special Revenue Library Levy Fund tax receipts in the General Fund and Park Fund.

The failure to record restricted revenues in the correct fund may violate the imposed restriction on the revenue, may result in the material misstatement of the financial statements, may impact the Township's ability to make sound financial decisions, and may inhibit the users understanding of the financial statements.

The accompanying financial statements and accounting records have been adjusted to reflect this activity in the correct funds. Fund balances at December 31 were impacted as follows:

| <u>Fund</u>   | <u>2009</u> | <u>Amount</u> | <u>Fund</u>   | <u>2008</u> | <u>Amount</u> |
|---------------|-------------|---------------|---------------|-------------|---------------|
| General       | Decrease    | (\$2,821)     | General       | Decrease    | (\$2,714)     |
| Library       | Increase    | 711           | Park          | Increase    | 488           |
| Road & Bridge | Increase    | 798           | Library       | Increase    | 638           |
| Cemetery      | Increase    | 806           | Road & Bridge | Increase    | 824           |
| Park          | Increase    | 506           | Cemetery      | Increase    | 764           |

The Township Fiscal Officer should utilize resources such as the Ohio Revised Code, Chapter 1 of the Ohio Compliance Supplement, the UAN Manual, and the Ohio Township Manual to provide guidance on the recording of revenues. In addition, the Township should implement review and monitoring procedures to help assure that revenues are recorded in the correct fund.

**OFFICIALS' RESPONSE:** We did not receive a response from Officials to the findings reported above.



**JEFFERSON TOWNSHIP  
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|---|------------------|--|
| 2007-001       | Classification of Revenues and Expenditures                       | No               | Repeated as Finding 2009-001   |
| 2007-002       | Fund Classifications  | Yes              |  |
| 2007-003       | Ohio Rev. Code Section 5705.10(D)                                 | No               | Repeated as Finding 2009-002   |
| 2007-004       | Ohio Rev. Code Section 5705.36(A)(2)                              | Yes              |  |
| 2007-005       | Finding for Recovery – public money collected but unaccounted for | Yes              |  |





**Mary Taylor, CPA**  
Auditor of State

**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  
MAY 6, 2010**