

***JEFFERSON TOWNSHIP
MONTGOMERY COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004

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



Mary Taylor, CPA

Auditor of State

Board of Trustees
Jefferson Township
One Business Park Drive
Dayton, Ohio 45427

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

Finding for Adjustment

During the January 1, 2000 thru December 31, 2001 audit period, the following audit adjustments were identified for errors in recording property taxes, special assessments, and charges for services in the correct funds. As of December 31, 2005, these adjustments have not been recorded by Jefferson Township. The following schedule indicates the cash fund balance adjustments required. A finding for adjustment is issued against the General Fund in the amount of \$73,542 in favor of the funds indicated below:

Fund #	Fund	Decrease	Increase
01	General Fund	\$ (73,542)	
2031	Road and Bridge Fund		15,524
2081	Police Fund		24,245
2111	Fire Fund		20,243
2281	Ambulance & Emergency Medical Service Fund		7,348
2401	Lighting District - Special Assessment Fund		6,182
	Total	\$ (73,542)	\$ 73,542

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP.

Board of Trustees

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The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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

Mary Taylor, CPA
Auditor of State

June 18, 2007

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

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

REPORT OF INDEPENDENT ACCOUNTANTS

Jefferson Township, Montgomery County
One Business Park Drive
Dayton, Ohio 45427

To the Board of Trustees:

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

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

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

For the years ended December 31, 2001 and 2000, the Township made numerous incorrect postings of tax and other types of receipts. Findings for adjustments of \$73,542 were made in favor of various Special Revenue Funds and against the General Fund. As of December 31, 2005, these adjustments have not been made by the Township.

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

In our opinion, because of the effects of the matter discussed in the preceding three paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

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

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

The accompanying financial statements have been prepared assuming the Township will continue as a going concern. As discussed in Note 10 to the financial statements, the Township has suffered recurring losses from operations that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 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 results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
May 18, 2007

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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Other Local Taxes	\$ 98,365	\$ 962,262	-	\$ 1,060,627
Intergovernmental	156,641	481,239	-	637,880
Charges for Services	-	109,565	-	109,565
Fines, Licenses, Permits and Fees	43,305	724	-	44,029
Special Assessments	-	58,291	-	58,291
Interest	439	-	-	439
Miscellaneous	25,082	17,757	-	42,839
Total Receipts	323,832	1,629,838	-	1,953,670
Disbursements:				
Current:				
General Government	300,073	30,000	-	330,073
Public Safety	16,079	895,868	-	911,947
Public Health Services	-	616	-	616
Public Works	-	500,582	-	500,582
Conservation/Recreation	878	-	-	878
Debt Service:				
Redemption of Principal	8,000	18,080	-	26,080
Interest and Fiscal Charges	21,291	49,640	-	70,931
Capital Outlay	-	678,310	-	678,310
Total Disbursements	346,321	2,173,096	-	2,519,417
Total Receipts Over(Under) Disbursements	(22,489)	(543,258)	-	(565,747)
Other Financing Sources (Uses)				
Proceeds from Loans	-	534,000	-	534,000
Sale of Fixed Assets	-	5,760	-	5,760
Other Financing Uses	(686)	-	-	(686)
Total Other Financing Sources (Uses)	(686)	539,760	-	539,074
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(23,175)	(3,498)	-	(26,673)
Fund Balance 1/1/2005	16,885	453,748	\$ 24,998	495,631
Fund Balance 12/31/2005	\$ (6,290)	\$ 450,250	\$ 24,998	\$ 468,958

See accompanying Notes to the Financial Statements.

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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Other Local Taxes	\$ 92,091	\$ 949,436	-	\$ 1,041,527
Intergovernmental	154,448	265,972	-	420,420
Charges for Services	-	101,493	-	101,493
Fines, Licenses, Permits and Fees	39,175	-	-	39,175
Special Assessments	-	49,335	-	49,335
Interest	187	-	-	187
Miscellaneous	55,642	15,766	\$ 3,284	74,692
Total Receipts	341,543	1,382,002	3,284	1,726,829
Disbursements:				
Current:				
General Government	383,804	3,355	-	387,159
Public Safety	37,936	748,496	-	786,432
Public Works	-	350,757	-	350,757
Conservation/Recreation	1,114	-	-	1,114
Debt Service:				
Redemption of Principal	8,000	47,117	-	55,117
Interest and Fiscal Charges	22,107	17,042	-	39,149
Capital Outlay	-	141,841	-	141,841
Total Disbursements	452,961	1,308,608	-	1,761,569
Total Receipts Over(Under) Disbursements	(111,418)	73,394	3,284	(34,740)
Other Financing Sources (Uses)				
Other Financing Sources	-	175	-	175
Total Other Financing Sources (Uses)	-	175	-	175
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(111,418)	73,569	3,284	(34,565)
Fund Balance 1/1/2004	128,303	380,179	21,714	530,196
Fund Balance 12/31/2004	\$ 16,885	\$ 453,748	\$ 24,998	\$ 495,631

See accompanying Notes to the Financial Statements.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Jefferson Township, Montgomery County (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by publicly-elected three-member Board of Trustees. The Township provides general governmental services, road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the Montgomery County Sheriff's Office to provide security of persons and property.

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

B. BASIS OF ACCOUNTING

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

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

C. CASH

The Township maintains an interest bearing checking account.

D. FUND ACCOUNTING

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Governmental Fund Types:

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

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

- Police Fund – This fund receives property tax money to provide police protection for Township residents by contracting with the Montgomery County Sheriff’s Office.
- Fire Fund – This fund receives property tax money to provide fire protection services to Township residents.
- Road And Bridge Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.
- Miscellaneous Special Revenue Fund – This fund receives state and local grant monies for various projects.

Capital Projects Fund: These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Projects Fund:

- Permanent Improvement Fund – This fund received monies from note and bond proceeds and these funds were utilized for the construction of a new Township building and fire station.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

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

1. Estimated Resources

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

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

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

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

2. Appropriations

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

1. Encumbrances

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

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

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	2004	2005
Demand deposits	\$ 495,631	\$ 468,958

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

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

3. PROPERTY TAX

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

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

Public utilities are also taxed on personal and real property located within the Township. The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

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

4. BUDGETARY ACTIVITY

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

<u>Fund</u>	<u>2005 Budgeted vs Actual Receipts</u>		
	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 362,239	\$ 323,832	\$ (38,407)
Special Revenue Funds	1,497,183	2,169,598	627,415
Capital Projects Fund	-0-	-0-	-0-

<u>Fund</u>	<u>2005 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 409,933	\$ 347,007	\$ 62,926
Special Revenue Funds	1,963,992	2,173,096	(209,104)
Capital Project Fund	30,542	-0-	30,542

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

Fund	<u>2004 Budgeted vs Actual Receipts</u>		Variance
	Budgeted Receipts	Actual Receipts	
General Fund	\$ 329,114	\$ 341,543	\$ 12,429
Special Revenue Funds	1,382,185	1,382,177	(8)
Capital Projects Fund	3,284	3,284	-0-

Fund	<u>2004 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 575,011	\$ 452,961	\$ 122,050
Special Revenue Funds	1,735,850	1,308,608	427,242
Capital Projects Fund	6,000	-0-	6,000

5. RETIREMENT SYSTEM

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

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

6. 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 fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000, which the General Reinsurance Corporation will reinsure.

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

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

6. RISK MANAGEMENT – (Continued)

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. 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.

Financial Position

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

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$30,687,203
Liabilities	<u>(12,344,576)</u>	<u>(13,640,962)</u>
Retained Earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 9,177,796	\$ 7,799,073
Liabilities	<u>(1,406,031)</u>	<u>(753,906)</u>
Retained Earnings	<u>\$ 7,771,765</u>	<u>\$ 7,045,167</u>

7. DEBT

Debt outstanding at December 31, 2005 was as follow:

	<u>2005</u>	<u>Interest Rate</u>
Township Building Bonds	\$ 463,000	4.625%
Fire Station Bonds	309,000	4.625%
Fire Truck Loan	<u>529,977</u>	4.205%
Total	<u>\$ 1,301,977</u>	

The Township issued the two bonds to finance the construction of the Township Building and fire station. The Township entered into a loan for three (3) fire trucks during 2005.

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

7. DEBT – (Continued)

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

Year ending December 31:	General Obligation Bonds	Fire Truck Loan
2006	\$ 50,559	\$ 71,313
2007	50,865	71,313
2008	49,125	71,313
2009	50,451	71,313
2010	50,451	71,313
2011 – 2015	252,255	71,313
2016 – 2020	252,255	285,252
2021 – 2025	252,255	-0-
2026 – 2030	252,255	-0-
2031 – 2032	100,902	-0-
Total	<u>\$1,361,373</u>	<u>\$ 643,817</u>

8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

9. BUDGETARY NONCOMPLIANCE

The Township had the following material citations for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41(B)**, the Township had expenditures that exceeded appropriations.
- Contrary to **Ohio Rev. Code Section 5705.39**, the Township had appropriations in excess of estimated resources.
- Contrary to **Ohio Rev. Code Section 5705.10**, the Township had a negative fund balance in the General Fund.

10. GOING CONCERN

The Township has been experiencing financial related difficulties the past several years. The Township built a new administration building and the resulting debt service along with general operating costs exceeds general fund cash receipts. Management has reviewed this issue and is currently preparing to place an additional property tax levy on the November 2007 ballot. Financial activity is being carefully monitored to keep expenses to a minimum.

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

11. PRIOR PERIOD ADJUSTMENT

For the audit periods ending December 31, 2000 and 2001, the Township incorrectly posted various tax and other receipts. Findings for adjustments were issued in favor of various Special Revenue Funds and against the General Fund for \$73,542. These adjustments were never posted to the Township accounting system. The fund balances as of January 1, 2004 were adjusted to reflect that the Township did not post these adjustments.

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

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

Jefferson Township, Montgomery County
One Business Park Drive
Dayton, Ohio 45427

To the Board of Trustees:

We have audited the financial statements of Jefferson Township, Montgomery County, Ohio (Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated May 18, 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. Also, we noted the Township prepared its financial statements assuming it will continue as a going concern and there was an explanatory qualification related to adjustments from prior years not being posted to the accounting system. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 18, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters noncompliance with which could have a direct and material 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 several instances of noncompliance required to be reported under *Government Auditing Standards*.

Also, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 18, 2007.

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

Charles E. Harris and Associates, Inc.
May 18, 2007

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

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

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

**FINDING NUMBER 2005-JTMC-001
Noncompliance Citation**

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund shall not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Township obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During the year-end December 31, 2004, total appropriations exceeded total estimated resources at year-end as follows:

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$ 457,417	\$ 575,011	\$ (117,594)
Special Revenue funds:			
Motor Vehicle License Tax Fund	21,639	28,059	(6,420)
Road and Bridge Fund	295,179	295,637	(458)
Fire District Fund	576,266	600,000	(23,734)
Gasoline Tax Fund	92,054	96,618	(4,564)
Miscellaneous Fund	34,014	100,000	(65,986)

During the year-end December 31, 2005, total appropriations exceeded total estimated resources at year-end as follows:

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$ 379,124	\$ 409,933	\$(30,809)
Special Revenue funds:			
Ambulance/EMS Fund	238,071	241,312	(3,241)
Capital Projects fund:			
Permanent Improvement	24,998	30,542	(5,544)

The Board and Clerk should monitor appropriations versus estimated resources and modify as necessary to help avoid overspending.

The Clerk will review all budgetary requirements and implement as necessary.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

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

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

**FINDING NUMBER 2005-JTMC-002
Noncompliance Citation**

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

We noted the following funds had expenditures plus encumbrances that exceeded appropriations at December 31, 2005:

Fund	Approved Appropriations	Budgetary Expenditures	Variance
Special Revenue Funds:			
Road and Bridge Fund	\$331,498	\$397,425	\$(65,927)
Fire District Fund	454,439	954,171	(499,732)

The Township applied for and received a grant from the Ohio Public Works Commission (OPWC) for improvements to a local road. The project was administered by Montgomery County and OPWC. The financial activity during 2005 was not recorded on the Township's books. As a result, expenditures of \$142,868 during 2005 were made on the Township's behalf but were not appropriated. Construction was ongoing at December 31, 2005. Construction expenditures made on the Township's behalf by OPWC were not recorded on the Township's books. As a result, the financial activity of the Township was understated for 2005. The financial statements have been adjusted to reflect correct amounts. The Township is in agreement with this adjustment.

The Township purchased 3 fire trucks during 2005. The proceeds of the loan was \$534,000. The Township did not record the proceeds of this loan nor the resulting disbursement on its books and as a result, the financial activity of the Township was understated for 2005. The financial statements have been adjusted to reflect correct amounts. The Township is in agreement with this adjustment.

We recommend the Township record all transactions made on behalf of the Township in each fund. The Township should refer to Auditor of State Bulletin 2000-08 for additional guidance in accounting for these projects.

The Clerk will review current projects to determine the amount of payments made on the Township's behalf and include this amount as a receipt and disbursement as well as obtaining an amended certificate of estimated resources and approving additional appropriations.

**JEFFERSON TOWNSHIP
MONTGOMERY COUNTY**

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

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

**FINDING NUMBER 2005-JTMC-003
Noncompliance Citation**

Negative Fund Balance

Section 5705.10, Revised Code, prohibits the Township from having negative fund balances. The General Fund was found to have a negative cash fund balance at December 31, 2005 of \$6,290.

JEFFERSON TOWNSHIP
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-001	Contrary to Ohio Rev. Code Section 5705.39, the Township had appropriations in excess of estimated resources.	No	Repeated as finding # 2005-JTMC-001.
2003-002	Contrary to Ohio Rev. Code Section 5705.41(D), the Township had budgetary expenditures in excess of appropriations.	No	Partially corrected. Included in Management Letter.
2003-003	Contrary to OMB Circular A-133, Subpart B, Section 200, the Township did not request a single audit be performed, for the year ended December 31, 2002, within the prescribed time period.	Yes	Township not required to have a single audit performed for years ending December 31, 2004 and 2005.



Mary Taylor, CPA
Auditor of State

JEFFERSON TOWNSHIP

MONTGOMERY 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
JUNE 28, 2007**