

**JACKSON TOWNSHIP**

DAYTON REGION, MONTGOMERY COUNTY

**REGULAR AUDIT**

FOR THE YEARS ENDED DECEMBER 31, 2005 - 2004





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Jackson Township  
49 E. Walnut Street  
Farmersville, Ohio 45325-1134

We have reviewed the *Report of Independent Auditors'* of Jackson Township, Montgomery County, prepared by Manning & Associates CPAs, LLC, 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.

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 Auditors'* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Auditors'* 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. Jackson Township is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 26, 2007

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**JACKSON TOWNSHIP  
MONTGOMERY COUNTY**

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**MANNING & ASSOCIATES CPAS, LLC  
6105 NORTH DIXIE DRIVE  
DAYTON, OHIO 45414**

**REPORT OF INDEPENDENT AUDITORS'**

Board of Trustees  
Jackson Township  
49 East Walnut Street  
Farmersville, Ohio 45325

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

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

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

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

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

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and encumbrances of Jackson 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.

Manning & Associates CPAs, LLC  
Dayton, Ohio

December 13, 2006

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**JACKSON TOWNSHIP  
MONTGOMERY COUNTY**

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

	<b>GOVERNMENTAL FUND TYPES</b>			<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>				
Taxes	\$ 20,111	\$ 636,278	0	\$ 656,389
Changes for Services	0	190,654	0	190,654
Intergovernmental Receipts	91,289	324,942	171,699	587,930
Licenses, Permits and Fees	4,455	120	0	4,575
Fines and Forfeitures	0	25,981	0	25,981
Earnings on Investments	12,468	0	0	12,468
Miscellaneous	9,511	40,798	0	50,309
<b>Total Cash Receipts</b>	<b>137,834</b>	<b>1,218,773</b>	<b>171,699</b>	<b>1,528,306</b>
<b>Cash Disbursements:</b>				
Current:				
General Government	123,062	54,794	0	177,856
Public Safety	0	617,856	0	617,856
Public Works	0	336,045	0	336,045
Conservation/Recreation	0	83,482	0	83,482
Capital Outlay	1,996	55,247	171,699	228,942
Debt Service:				
Redemption of Principal	10,000	31,335	0	41,335
Interest and Other Fiscal Charges	8,050	3,180	0	11,230
<b>Total Cash Disbursements</b>	<b>143,108</b>	<b>1,181,939</b>	<b>171,699</b>	<b>1,496,746</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(5,274)</b>	<b>36,834</b>	<b>0</b>	<b>31,560</b>
<b>Other Financing Receipts/Disbursements</b>				
Sale of Fixed Assets	0	2,200	0	2,200
Advances-In	30,000	0	0	30,000
Advances-Out	0	(30,000)	0	(30,000)
Other Financing Uses	(30)	0	0	(30)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>29,970</b>	<b>(27,800)</b>	<b>0</b>	<b>2,170</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	24,696	9,034	0	33,730
<b>Fund Cash Balances, January 1, 2005</b>	<b>224,603</b>	<b>227,991</b>	<b>5,527</b>	<b>458,121</b>
<b>Fund Cash Balances, December 31, 2005</b>	<b>\$ 249,299</b>	<b>\$ 237,025</b>	<b>5,527</b>	<b>\$ 491,851</b>
Reserve for Encumbrances	\$ 6,157	\$ 26,306	0	\$ 32,463

The Notes to the Financial Statements are an integral part of this statement.

**JACKSON TOWNSHIP  
MONTGOMERY COUNTY**

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

	<b>GOVERNMENTAL FUND TYPES</b>			<b>Total</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>(Memorandum Only)</b>
<b>Cash Receipts:</b>				
Taxes	\$ 18,409	\$ 663,131	\$ 0	\$ 681,540
Changes for Services	0	211,877	0	211,877
Intergovernmental Receipts	82,958	253,186	0	336,144
Licenses, Permits and Fees	3,653	107	0	3,760
Fines and Forfeitures	0	35,775	0	35,775
Earnings on Investments	2,882	0	0	2,882
Miscellaneous	18,932	38,930	0	57,862
<b>Total Cash Receipts</b>	<b>126,834</b>	<b>1,203,006</b>	<b>0</b>	<b>1,329,840</b>
<b>Cash Disbursements:</b>				
Current:				
General Government	134,907	64,820	0	199,727
Public Safety	0	675,432	0	675,432
Public Works	0	213,257	0	213,257
Human Services	0	6,180	0	6,180
Conservation/Recreation	0	89,763	0	89,763
Capital Outlay	8,000	57,499	0	65,499
Debt Service:				
Redemption of Principal	10,000	41,127	0	51,127
Interest and Other Fiscal Charges	8,750	2,803	0	11,553
<b>Total Cash Disbursements</b>	<b>161,657</b>	<b>1,150,881</b>	<b>0</b>	<b>1,312,538</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(34,823)</b>	<b>52,125</b>	<b>0</b>	<b>17,302</b>
<b>Other Financing Receipts/Disbursements</b>				
Sale of Notes	8,000	34,409	0	42,409
Sale of Fixed Assets	0	11,100	0	11,100
Advances-In	24,151	24,151	0	48,302
Advances-Out	(24,151)	(24,151)	0	(48,302)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>8,000</b>	<b>45,509</b>	<b>0</b>	<b>53,509</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(26,823)	97,634	0	70,811
<b>Fund Cash Balances, January 1, 2004</b>	<b>251,426</b>	<b>130,357</b>	<b>5,527</b>	<b>387,310</b>
<b>Fund Cash Balances, December 31, 2004</b>	<b>\$ 224,603</b>	<b>\$ 227,991</b>	<b>\$ 5,527</b>	<b>\$ 458,121</b>
Reserve for Encumbrances	\$ 0	\$ 102	\$ 0	\$ 102

The Notes to the Financial Statements are an integral part of this statement.

**JACKSON TOWNSHIP  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Jackson Township of Montgomery County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the Farmersville Fire Association, Montgomery County to provide fire services and Emergency Medical Services, Inc., to provide ambulance services.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Repurchase agreements are valued 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:

**General Fund:**

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**Special Revenue Funds:**

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

**JACKSON TOWNSHIP  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

**D. Fund Accounting** (Continued)

**Special Revenue Funds:** (Continued)

**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 money for constructing, maintaining and repairing Township roads.

**Police District Fund and Fire District Fund** – These funds receive monies from property tax levies to finance police and fire services for the Township.

**Park Levy Fund** – This fund receives monies from property tax levies to finance park services.

**Garbage and Waste Disposal District Fund** – This fund receives monies for waste disposal.

**Capital Project Funds**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Project Funds:

**Issue II Fund** – The Township received grants from the State of Ohio for road work.

**E. Budgetary Process**

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

**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. Unencumbered appropriations lapse at year-end.

**Estimated Resources**

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

**Encumbrances**

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

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

**JACKSON TOWNSHIP  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as 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 INVESTMENTS**

The Township maintains a cash and investments 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:

	<u>2005</u>	<u>2004</u>
Demand Deposits	\$ ( 5,149)	\$ 23,105
Investments:		
Repurchase Agreement	<u>497,000</u>	<u>435,016</u>
Total Deposits and Investments	<u>\$ 491,851</u>	<u>\$ 458,121</u>

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

**JACKSON TOWNSHIP  
MONTGOMERY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2005 was as follows:

<b>2005 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 156,530	\$ 137,834	\$ (18,696)
Special Revenue	1,132,591	1,220,973	88,382
Capital Projects	0	171,699	171,699
Total	<u>\$ 1,289,121</u>	<u>\$ 1,530,506</u>	<u>\$ 241,385</u>

<b>2005 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 0	\$ 149,295	\$ (149,295)
Special Revenue	0	1,208,245	(1,208,245)
Capital Projects	0	171,699	(171,699)
Total	<u>\$ 0</u>	<u>\$ 1,529,239</u>	<u>\$ (1,529,239)</u>

Budgetary activity for the year ending December 31, 2004 was as follows:

<b>2004 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 155,470	\$ 134,834	\$ (20,636)
Special Revenue	1,268,714	1,248,515	(20,199)
Total	<u>\$ 1,424,184</u>	<u>\$ 1,383,349</u>	<u>\$ (40,835)</u>

<b>2004 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 0	\$ 161,657	\$ (161,657)
Special Revenue	0	1,150,983	(1,150,983)
Total	<u>\$ 0</u>	<u>\$ 1,312,640</u>	<u>\$ (1,312,640)</u>

**JACKSON TOWNSHIP  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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**3. BUDGETARY ACTIVITY, (continued)**

Contrary to Ohio Law, budgetary expenditures exceeded appropriation authority in the General Fund and all Special Revenue Funds and Capital Project Funds by 100% for the years ended December 31, 2005 and 2004.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. DEBT**

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note	\$105,000	7.00%
John Deere Financing	5,483	6.00%
Eaton National Bank – Police Cruisers	<u>23,524</u>	5.28%
Total	<u>\$134,007</u>	

On August 31, 2000, the Township issued tax anticipation notes for the Township hall acquisition, renovation and furnishing of the existing building located at 49 East Walnut Street, in the amount of \$155,000, maturing August 1, 2015, with the interest at 7%.

The Township purchased John Deere lawn mower in 2004. The loan is paid in annual installments of \$2,997 including interest at 6%, maturing May 2007.

The Township purchased two police cruisers in 2004 in the amount of \$34,409. The loan is paid in annual installments of \$12,702, including interest at 5.28%, maturing on November 2007.

**JACKSON TOWNSHIP  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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**5. DEBT (continued)**

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

Year Ending December 31	General Obligation Note	John Deere Financing	Eaton National Bank
2006	\$17,350	\$2,997	\$12,702
2007	16,650	2,983	12,703
2008	15,950		
2009	10,520		
2010	14,550		
2011 - 2015	67,250		
Total	<u>142,270</u>	<u>5,980</u>	<u>25,405</u>

**6. LEASES**

The Township entered into a lease agreement with Ohio Township Association Master Leasing Program for the lease of a John Deere backhoe. The Township leases this to the Germantown Union Cemetery. The Township received and disbursed \$6,380 to pay lease costs for the year ended December 31, 2005.

The Township entered into a lease agreement in 2005, with Caterpillar Financial Services for the lease of a backhoe loader. The lease is due in five annual payments starting in with the initial contract June 2005.

Future lease payments for the above leases are as follows:

Year Ending December 31:	Amount
2006	\$10,459
2007	10,459
2008	10,459
2009	10,459
Total Minimum Lease Payments	<u>\$41,836</u>
Less amount representing interest	<u>4,425</u>
Present value of minimum lease payments	<u>\$37,411</u>

**JACKSON TOWNSHIP  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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**7. RETIREMENT SYSTEM**

The Township's employees and elected officials, including law enforcement, 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.

Contribution rates are also prescribed by the Ohio Revised Code. Law enforcement members contribute 10.1 percent and other OPERS members contribute 8.5 percent of their gross salaries. The Township contributes an amount equal to 16.7 percent for police, and 13.55 percent for all other members, of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

**8. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2004 the Township contracted with 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. Coverage provided by OTARMA is as follows:

Legal Liability	\$2,000,000	Per Occurrence
Automobile Liability	2,000,000	Per Occurrence
Law Enforcement Operations	2,000,000	Per Occurrence
Wrongful Acts	2,000,000	Per Occurrence
Property	624,600	Total Coverage
Boiler and Machinery	N/A	Limit

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

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

**JACKSON TOWNSHIP  
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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**8. RISK MANAGEMENT (continued)**

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, 2004 and 2003 (the latest information available):

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

**9. CONTINGENT LIABILITIES**

The Township is defendant in lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

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**MANNING & ASSOCIATES CPAS, LLC  
6105 NORTH DIXIE DRIVE  
DAYTON, OHIO 45414**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Jackson Township  
12102 State Route 725 West  
Farmersville, Ohio 45327

We have audited the financial statements of the Jackson Township, Montgomery County (the Township), as of and for the years ended December 31, 2005, and 2004, and have issued our report thereon dated December 13, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-001 and 2005-005.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2005-005 listed above to be a material weakness. In a separate letter to the Township's management dated December 13, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-005. In a separate letter to the Township's management dated December 13, 2006, we reported other matters related to noncompliance we deemed immaterial

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

Manning & Associates CPAs, LLC  
Dayton, Ohio

December 13, 2006

**JACKSON TOWNSHIP  
MONTGOMERY COUNTY**

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

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

**Ohio Rev. Code Section 5705.38** requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

The township did not pass an annual appropriation measure for fiscal years 2005 and 2004. Even though a temporary appropriation measure was passed at the trustees' regular meeting for fiscal years 2005 and 2004, it was not sent to the County Auditor for approval. Additionally, **Ohio Rev. Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township should implement monitoring procedures such as a tickler file to ensure that all required budgetary documents have been approved and filed in a timely manner.

Response: None

**FINDING NUMBER 2005-002**

**Ohio Rev. Code Section 5705.41(D)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and Now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. **Blanket certificate** – The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one line item appropriation.
3. **Super Blanket certificate** – The district may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

**JACKSON TOWNSHIP  
MONTGOMERY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-002 (Continued)**

The Township did not properly certify the availability of funds prior to purchase commitment for expenditures and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can lead to misappropriation of monies and negative cash fund balances. Unless the exceptions noted above are utilized, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility that Township funds will exceed budgetary spending limitations, we recommend that the Township Clerk certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, "then and now" certification should be used. We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Response: None

**FINDING NUMBER 2005-003**

**Monthly Bank-to-Book Reconciliations**

Deficiencies were noted in the Township's completion of monthly bank-to-book reconciliations. Monthly bank-to-book reconciliations should be prepared, and all accounts belonging to the Township should be included on the monthly reconciliation. The following deficiencies were noted in monthly bank-to-book reconciliations which resulted in inaccurate fund balances and incorrect amounts in the appropriations and receipts ledgers:

- The Township's cash fund balances did not agree to the monthly bank-to-book reconciliations for the entire period under audit;
- There was no indication that the Trustees reviewed bank-to-book reconciliations.

Risks associated with these conditions include the possibility of loss of revenue; missing or duplicate posting of cash receipts and disbursements; and reconciliation errors that could go undetected. To strengthen internal accounting controls, reduce errors in recording transactions, and to provide management with reasonable assurance that cash reconciliation procedures are in place, the following control should be implemented:

- The monthly bank-to-book reconciliations should be reviewed by the Trustees, along with a list of outstanding checks, and the reconciled bank balance should be compared to the cashbook balance to ensure the amounts correspond. The balance of the cashbook should be reviewed to ensure that all active and invested money under the control of the Trustees is included. The Trustees should date and initial the monthly reconciliation as documentation of their review.

Response: None

**JACKSON TOWNSHIP  
MONTGOMERY COUNTY**

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

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

**FINDING NUMBER 2005-004**

**Improper Recording of Revenues and Expenditure Transactions**

Not all revenue and expenditure transactions were classified or recorded to the correct financial statement line item, based on the nature of the transactions for years 2005 and 2004. Failure to accurately record revenues and expenditures to the proper line item could result in material misstatements to the financial statements.

The Township should use the UAN Accounting Manual and UAN crosswalk table of revenues and expenditures as a source, for proper recording of receipts and disbursements.

In Addition, the Township did not record on-behalf payments made to contractors by the Issue II Grant for the Township street project. The Township for the purpose of accounting for these on-behalf payments should record these monies in the capital projects fund established; also such monies should be budgeted by the Township. By not recording the receipts and disbursements, the Township's financial statements result in an understatement of financial benefit provided by the grant. The accompanying financial statement has been adjusted to reflect this activity.

We recommend the Township record future payments made by the grant as receipts and disbursements within the Capital Project Fund, and obtain an official certificate of estimated resources and pass a resolution for its appropriation measure.

Response: None

**FINDING NUMBER 2005-005**

**Developing and Implementing and Effective Monitoring Control System**

The Township has not implemented an effective monitoring control system which would assist management in detecting material misstatements in financial or other information. The Township should develop and implement a monitoring control system to determine that material misstatements or misappropriation of assets do not occur.

Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational, legal compliance, and financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

Monitoring controls should assist management in detecting material misstatements in the financial or other information presented. Such controls may include, but are not limited to, the following reviews by the Trustees:

- Monthly review of budget and actual activity including required submission of budgetary reports;
- Monthly review of unusual or significant items on the bank-to-book reconciliation, such as long outstanding checks or deposits;
- Ensuring adequate segregation of duties exists between management and staff.

Response: None

**JACKSON TOWNSHIP  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR END DECEMBER 31, 2005 AND 2004**

FINDING NUMBER	FINDING SUMMARY	FULLY CORRECTED?	NOT CORRECTED, PARTIALLY CORRECTED; SIGNIFICANTLY DIFFERENT CORRECTIVE ACTION TAKEN; OR FINDING NO LONGER VALID; <i>EXPLAIN:</i>
2003-001	ORC Sec. 507.09 (A) and (D) - Compensation of Clerk	Yes	
2003-002	ORC Sec. 5705.38 - Passage of Appropriations	No	Not corrected. Comment repeated in current audit as Finding Number 2005-001
2003-003	ORC Sec. 5705.36 - Certification of amounts available from all sources	Partially corrected	Resources certified to county after February 1 of both years, Reissued as Management Comment.
2003-004	ORC Sec. 5705.10 - Deficit fund balances	Yes	
2003-005	ORC Sec. 5705.41(D) - Certification of funds availability	No	Not corrected. Comment repeated in current audit as Finding Number 2005-002
2003-006	ORC Sec. 149.351(A) - Township records	Yes	Organization of township records
2003-007	Monthly Bank Reconciliations	No	Not corrected. Comment repeated in current audit as Finding Number 2005-003
2003-008	Improper Recording of Revenues and Expenditure Transactions	No	Not corrected. Comment repeated in current audit as Finding Number 2005-004
2003-009	Developing and Implementing Effective Monitoring Control System	No	Not corrected. Comment repeated in current audit as Finding Number 2005-005



Mary Taylor, CPA  
Auditor of State

JACKSON 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  
APRIL 5, 2007