

JACKSON TOWNSHIP

MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010



Dave Yost • Auditor of State

Board of Trustees
Jackson Township
49 E. Walnut Street
Farmersville, Ohio 45324

We have reviewed the *Independent Auditors' Report* of Jackson Township, Montgomery County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 9, 2012

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**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1 – 2
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2011	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2010	5
Notes to the Financial Statements	6 – 14
Independent Accountants' Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	16 – 17
Schedule of Findings	18 – 22
Schedule of Prior Audit Findings	23

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INDEPENDENT AUDITORS' REPORT

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, 2011 and 2010. 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.

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.

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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, 2011 and 2010 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, 2011 and 2010, 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 Jackson Township, Montgomery County, Ohio, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 Jackson Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2012, 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.

Manning & Associates CPAs, LLC
Dayton, Ohio

June 20, 2012

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**JACKSON 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, 2011

	GOVERNMENTAL FUND TYPES			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$ 22,102	\$ 1,051,671	\$ 0	\$ 1,073,773
Charges for Services	0	341,058	0	341,058
Licenses, Permits and Fees	2,010	96	0	2,106
Fines and Forfeitures	421	1,586	0	2,007
Intergovernmental	78,512	150,900	263,186	492,598
Earnings on Investments	121	0	0	121
Miscellaneous	7,608	47,142	0	54,750
<i>Total Cash Receipts</i>	<u>110,774</u>	<u>1,592,453</u>	<u>263,186</u>	<u>1,966,413</u>
Cash Disbursements:				
Current:				
General Government	102,310	57,607	0	159,917
Public Safety	0	841,122	0	841,122
Public Works	0	292,445	0	292,445
Conservation/Recreation	0	169,715	0	169,715
Capital Outlay	0	45,664	263,186	308,850
Debt Service:				
Redemption of Principal	6,665	61,612	0	68,277
Interest and Other Fiscal Charges	2,568	17,638	0	20,206
<i>Total Cash Disbursements</i>	<u>111,543</u>	<u>1,485,803</u>	<u>263,186</u>	<u>1,860,532</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>(769)</u>	<u>106,650</u>	<u>0</u>	<u>105,881</u>
<i>Net Change in Fund Cash Balances</i>	<u>(769)</u>	<u>106,650</u>	<u>0</u>	<u>105,881</u>
<i>Fund Cash Balances, January 1</i>	<u>125,787</u>	<u>729,010</u>	<u>0</u>	<u>854,797</u>
Fund Cash Balances, December 31				
Restricted	0	124,025	0	124,025
Committed	0	711,635	0	711,635
Unassigned (Deficit)	125,018	0	0	125,018
	<u>125,018</u>	<u>835,660</u>	<u>0</u>	<u>960,678</u>

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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	GOVERNMENTAL FUND TYPES		
	<u>General</u>	<u>Special Revenue</u>	<u>Total (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$ 23,901	\$ 1,073,487	\$ 1,097,388
Charges for Services	0	344,310	344,310
Licenses, Permits and Fees	1,543	127	1,670
Fines and Forfeitures	0	2,485	2,485
Intergovernmental	124,320	133,493	257,813
Earnings on Investments	172	0	172
Miscellaneous	13,035	43,912	56,947
	<u>162,971</u>	<u>1,597,814</u>	<u>1,760,785</u>
<i>Total Cash Receipts</i>			
Cash Disbursements:			
Current:			
General Government	114,519	46,800	161,319
Public Safety	0	839,900	839,900
Public Works	0	344,018	344,018
Conservation/Recreation	0	152,511	152,511
Capital Outlay	4,795	28,137	32,932
Debt Service:			
Redemption of Principal	6,665	59,157	65,822
Interest and Other Fiscal Charges	3,035	20,326	23,361
	<u>129,014</u>	<u>1,490,849</u>	<u>1,619,863</u>
<i>Total Cash Disbursements</i>			
<i>Total Receipts Over/(Under) Disbursements</i>	<u>33,957</u>	<u>106,965</u>	<u>140,922</u>
Fund Cash Balances, January 1	<u>91,830</u>	<u>622,045</u>	<u>713,875</u>
Fund Cash Balances, December 31	<u>\$ 125,787</u>	<u>\$ 729,010</u>	<u>\$ 854,797</u>

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, 2011 AND 2010

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

This financial statement follows 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 a payment is made 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

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.

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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:

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 Projects Funds:

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Funds:

Chicken Bristle Road – This fund provides monies for the construction of the Chicken Bristle road project.

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 annually approves appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

F. Fund Balance (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. Accumulated Leave

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

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:

	2011	2010
Demand Deposits	\$ (13,522)	\$ (18,103)
Investments:		
Repurchase Agreement (Sweep)	974,200	872,900
Total Deposits and Investments	\$ <u>960,678</u>	\$ <u>854,797</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, 2011 AND 2010

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2011 was as follows:

2011 Budgeted vs. Actual Receipts

Fund Type	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 102,153	\$ 110,774	\$ 8,621
Special Revenue	1,547,526	1,592,453	44,927
Capital Projects	0	263,186	263,186
Total	<u>\$ 1,649,679</u>	<u>\$ 1,966,413</u>	<u>\$ 316,734</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 205,984	\$ 111,543	\$ 94,441
Special Revenue	1,944,431	1,485,803	458,628
Capital Projects	0	263,186	(263,186)
Total	<u>\$ 2,150,415</u>	<u>\$ 1,860,532</u>	<u>\$ 289,883</u>

Budgetary activity for the year ending December 31, 2010 was as follows:

2010 Budgeted vs. Actual Receipts

Fund Type	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 138,930	\$ 162,971	\$ 24,041
Special Revenue	1,450,908	1,597,814	146,906
Total	<u>\$ 1,589,838</u>	<u>\$ 1,760,785</u>	<u>\$ 170,947</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 159,670	\$ 129,014	\$ 30,656
Special Revenue	2,007,515	1,490,849	516,666
Total	<u>\$ 2,172,712</u>	<u>\$ 1,619,863</u>	<u>\$ 552,849</u>

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

3. BUDGETARY COMPLIANCE

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Contrary to Ohio Law, estimated resources exceeded appropriations in excess of actual receipts plus unencumbered balance in the Gasoline, Fire District South, Special Levy, Drug Enforcement, Permissive MVL and FEMA funds in 2011 by \$16,951, \$12,758, \$2,619, \$200, \$1,282 and \$500, respectively; and in 2010 the Motor Vehicle License and Drug Enforcement funds by \$656 and \$7,284, respectively.

Ohio Rev. Code section 5705.40, the Township is required to pass a resolution for its appropriation measure and obtain an official certificate of estimated resource for any on-behalf-payments expected. Contrary to Ohio Law the Township did not pass an appropriation measure or request an amended certificate of estimated resources for Ohio Public Works grant. **Ohio Rev. Code section 5705.41**, the Township cannot expend money unless it has been appropriated. The Township failed to appropriate expenses paid by OPWC.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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 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, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note	\$ 45,000	7.00%
Recreational Facility Bonds	<u>332,151</u>	4.35%
Total	<u>\$377,151</u>	

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

5. DEBT (Continued)

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 issued \$600,000 in Recreational Facility bonds in December 2006, for pool project renovations. The bonds will be repaid in semi-annual installments, with an interest rate of 4.35% over a ten year period, maturing in 2016. The Recreational Facility bonds are direct obligations and pledge the full faith and credit of the government.

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

Year Ending December 31	General Obligation Note		Recreational Facility Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 10,000	\$ 3,150	\$ 60,839	\$ 13,794
2013	10,000	2,450	63,515	11,119
2014	10,000	1,750	66,307	8,326
2015	15,000	1,050	69,223	5,410
2016			72,267	2,366
Total	\$ 45,000	\$ 8,400	\$ 332,151	\$ 41,015

6. LEASES

The Township entered into a lease agreement with U.S Bancorp Business Equipment Finance Group for the lease purchase agreement of a 2011 Dodge Ram 4500. Final lease payment due 2014.

Future lease payments for the above leases are as follows:

Year Ending December 31:	Amount
2012	14,679
2013	14,679
2014	14,679
Total Minimum Lease Payments	\$44,037
Less amount representing interest	3,160
Present value of minimum lease payments	\$40,877

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

7. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equal to 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

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

Prior to 2009, the Government belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Township does participate in this coverage.

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

8. RISK MANAGEMENT (Continued)

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Township does not participate participates in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	<u>OPRM</u>	<u>OPHC</u>	<u>OPRM</u>	<u>OPHC</u>
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.

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

Jackson Township
49 East Walnut Street
Farmersville Ohio 45325

To the Board of Trustees:

We have audited the financial statements of Jackson Township, Montgomery County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 20, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. For the year ended December 31, 2011, we noted the Township implemented Governmental Accounting Standard Board Statement No.54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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 expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion 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 to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of 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 Number 2011-003, 2011-004, and 2011-005 described in the accompanying schedule of findings to be material weaknesses.

Internal Control Over Financial Reporting, (continued)

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2011-001 and 2011-002 described in the accompanying schedule of findings to be significant deficiencies.

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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompany schedule of findings as items 2011-001, 2011-002, and 2011-004, and 2011-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 20, 2012.

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

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

Manning & Associates CPAs, LLC
Dayton, Ohio

June 20, 2012

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-001

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.

The Township did not properly certify the availability of funds prior to purchase commitment for 47 percent and 38 percent of expenditures in 2011 and 2010, respectively; and there was no evidence that the Township followed the aforementioned exceptions. In addition, 100 percent of purchase orders remained unsigned. 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.

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-001 (Continued)

To improve controls over disbursements and to help reduce the possibility that Township funds will exceed budgetary spending limitations, we recommend that the Township Fiscal Officer 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: The newly elected Fiscal Officer will review ORC Section 5705.41 (D) for proper certification of funds and proper procedures to improve the Township’s compliance on PO’s.

FINDING NUMBER 2011-002

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below that current level of appropriation.

The following funds were determined to have appropriations in excess of actual receipts plus unencumbered balance:

<u>Fund Name</u>	<u>Actual Resources</u>	<u>Appropriation</u>	<u>Variance</u>
2011			
Gasoline Tax	\$153,975	\$170,926	(\$16,951)
Fire District – South	345,129	357,887	(12,758)
Special Levy	68,720	71,339	(2,619)
Drug Enforcement	26,822	27,022	(200)
Permissive MVL	69,318	70,600	(1,282)
FEMA	1,620	2,120	(500)
2010			
Motor Vehicle License	\$21,935	\$22,591	(\$656)
Gasoline Tax	163,872	171,156	(7,284)

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-002 (Continued)

Failure to obtain the amended certificate of estimated resources did not provide the trustees with an accurate estimate of resources available for appropriations which could lead to negative fund balances. The Board should monitor receipts and amend estimated receipts when necessary to keep estimated receipts in line with actual receipts and make any corresponding amendments to its appropriations and disbursements.

Response: Newly elected Fiscal Officer and Trustees will monitor budgetary compliance more closely in the future.

FINDING NUMBER 2011-003

Material Weakness - Timely Posting of Revenues

The Township Fiscal Officer did not post revenues in a timely manner. During the audit periods, numerous receipts were posted into their computer system several days after they received. This presented inaccurate information in monthly and on the annual financial statements and could lead to a chance of errors not being timely recognized. The timely posting of revenues is essential internal control for the annual financial reports to accurately and completely reflect the revenues of the Township. As a result, inaccurate information was given to the Trustees for monthly review and bank reconciliation(s) included reconciling items stating deposits on bank statements not in system.

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:

Response: Adjusting factors have been eliminated and or corrected. The newly elected Fiscal Officer will make every effort to record receipts timely.

FINDING NUMBER 2011-004

Material Weakness - Township Books and Records/Improper Recording of Revenues and Expenditure Transactions

Ohio Admin Code Section 117-2 provides that the Township Fiscal Officer shall keep the books of the Township; exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Township and income derived. In addition, Ohio Admin Code Section 117-2-02(A) states that all public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance relate legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the administrative code.

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-004 (Continued)

The Township did not maintain an accurate record of all monies received. Significant adjustments were needed to reclassify receipts and expenditures to proper accounts. The following were noted:

- County receipts were recorded at net instead of gross.
- Debt payments were misclassified.
- Budgetary information on the Township's computer records did not agree with the information filed with the County Auditor. Failure to record and report the budgetary data accurately presents an inaccurate comparison of the budgetary activity and can mislead those using the annual financial report.

The Fiscal Officer should reconcile the year end budgetary data with the approved amounts to ensure the budgetary activity is being reported accurately. These financial statements have been adjusted to reflect the approved and reported amounts.

Failure to provide accurate and complete financial information limits management's resources for decision making and can provide a false perception of the Township's financial position. Failure to accurately prepare and reconcile the accounting records reduces the accountability over Township funds, reduces the Trustees ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected and increases likelihood that the Township's financial statements will be misstated.

Response: The fiscal officer will review the Township handbook for proper reporting of receipts and disbursements. The newly elected fiscal officer will attend annual training through the Auditor of State's office and make every effort to report complete and accurate information.

FINDING NUMBER 2011-005

Material Weakness - On behalf payments

The Township did not record on-behalf payments made to contractors for the Ohio Public Works Issue II Grant in 2011 in the amount of \$263,186. The Township for the purpose of accounting for these on-behalf payments should record these monies in the appropriate fund established; also such monies should be budgeted and appropriated 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.

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

FINDING NUMBER 2011-005 (Continued)

In addition, Ohio Rev. Code section 5705.40, the Township is required to pass a resolution to amend its appropriation measure and obtain an official certificate of estimated resource for any on-behalf-payments expected. Ohio Rev. Code section 5705.41, the Township cannot expend money unless it has been appropriated. The Township failed to appropriate expenses paid by OPWC.

Response: The Township will review AOS Bulletin 2000-008, and record on behalf payments as directed.

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain
2009-001	ORC Sec. 5705.41(D) - Expenditures were not properly certified	No	Reissue as Finding 2011-001
2009-002	ORC 5705.36 - Estimated receipts exceeding actual receipts	No	Reissue as Finding 2011-002
2009-003	Failure to post revenue and reconciliations in a timely manner	No	Reissue as Finding 2011-003
2009-004	Ohio Admin Code Section 117-2 - Failure to properly post revenue and expenditures	No	Reissue as Finding 2011-004
2009-005	Failure to record on-behalf payments and amend necessary related budgetary	No	Reissue as Finding 2011-005

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Dave Yost • 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
OCTOBER 23, 2012