

JACKSON TOWNSHIP

DAYTON REGION, MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009 - 2008



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of Jackson Township, Montgomery County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2008 through December 31, 2009. 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 6, 2010

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**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes assessing, 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 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 cemeteries to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008.

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, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated April 15, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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

April 15, 2010

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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, 2009

	GOVERNMENTAL FUND TYPES			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$ 20,776	\$ 903,651	\$ 0	\$ 924,427
Charges for Services	0	309,079	0	309,079
Licenses, Permits and Fees	1,662	92	0	1,754
Fines and Forfeitures	200	1,948	0	2,148
Intergovernmental	85,010	298,696	172,547	556,253
Special Assessments	441	0	0	441
Earnings on Investments	67	0	0	67
Miscellaneous	6,309	37,377	0	43,686
	<u>114,465</u>	<u>1,550,843</u>	<u>172,547</u>	<u>1,837,855</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	144,455	24,849	0	169,304
Public Safety	0	804,903	0	804,903
Public Works	0	366,148	0	366,148
Conservation/Recreation	0	130,133	0	130,133
Other	0	0	0	0
Capital Outlay	9,924	74,441	172,547	256,912
Debt Service:				
Redemption of Principal	10,000	53,471	0	63,471
Interest and Other Fiscal Charges	5,250	21,162	0	26,412
	<u>169,629</u>	<u>1,475,107</u>	<u>172,547</u>	<u>1,817,283</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(55,164)</u>	<u>75,736</u>	<u>0</u>	<u>20,572</u>
Fund Cash Balances, January 1	<u>146,994</u>	<u>546,309</u>	<u>0</u>	<u>693,303</u>
Fund Cash Balances, December 31	<u>\$ 91,830</u>	<u>\$ 622,045</u>	<u>\$ 0</u>	<u>\$ 713,875</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, 2008

	GOVERNMENTAL FUND TYPES			Total
	General	Special Revenue	Capital Projects	(Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$ 18,526	\$ 895,588	\$ 0	\$ 914,114
Charges for Services	0	320,691	0	320,691
Licenses, Permits and Fees	2,906	267	0	3,173
Fines and Forfeitures	188	15,704	0	15,892
Intergovernmental	108,423	281,920	0	390,343
Special Assessments	170	1,544	0	1,714
Earnings on Investments	10,374	0	0	10,374
Miscellaneous	6,416	38,008	0	44,424
Total Cash Receipts	147,003	1,553,722	0	1,700,725
Cash Disbursements:				
Current:				
General Government	140,667	19,998	0	160,665
Public Safety	0	830,699	0	830,699
Public Works	0	320,455	0	320,455
Conservation/Recreation	0	142,866	0	142,866
Other	0	1,544	0	1,544
Capital Outlay	91,285	52,929	0	144,214
Debt Service:				
Redemption of Principal	22,968	38,250	0	61,218
Interest and Other Fiscal Charges	11,878	17,487	0	29,365
Total Cash Disbursements	266,798	1,424,228	0	1,691,026
Total Receipts Over/(Under) Disbursements	(119,795)	129,494	0	9,699
Fund Cash Balances, January 1	266,789	416,815	0	683,604
Fund Cash Balances, December 31	\$ 146,994	\$ 546,309	\$ 0	\$ 693,303

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, 2009 AND 2008

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, 2009 AND 2008

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.

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. 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.

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process, (continued)

Encumbrances

The township reserves (encumbers) appropriations when individual commitments are made. Encumbrances outstanding at year-end are cancelled, and reappropriated in the subsequent year.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

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. 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:

	2009	2008
Demand Deposits	\$ 30,875	\$ 12,403
Investments:		
Repurchase Agreement	683,000	680,900
Total Deposits and Investments	\$ <u>713,875</u>	\$ <u>693,303</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, 2009 AND 2008

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2009 was as follows:

2009 Budgeted vs. Actual Receipts

Fund Type	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 111,260	\$ 114,465	\$ 3,205
Special Revenue	1,538,980	1,550,843	11,863
Capital Projects	0	172,547	172,547
Total	<u>\$ 1,650,240</u>	<u>\$ 1,837,855</u>	<u>\$ 187,615</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 251,970	\$ 169,629	\$ 82,341
Special Revenue	1,805,546	1,475,107	330,439
Capital Projects	0	172,547	(172,547)
Total	<u>\$ 2,057,516</u>	<u>\$ 1,817,283</u>	<u>\$ 240,233</u>

Budgetary activity for the year ending December 31, 2008 was as follows:

2008 Budgeted vs. Actual Receipts

Fund Type	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 224,517	\$ 147,003	\$ (77,514)
Special Revenue	1,570,755	1,553,722	(17,033)
Total	<u>\$ 1,795,272</u>	<u>\$ 1,700,725</u>	<u>\$ (94,547)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 487,339	\$ 266,798	\$ 220,541
Special Revenue	1,999,794	1,424,228	575,566
Total	<u>\$ 2,492,660</u>	<u>\$ 1,691,026</u>	<u>\$ 801,634</u>

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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 motor vehicle license and FEMA funds in 2009 by \$235 and \$2,063, respectively; and in 2008 the general fund, gasoline, police district, fire district north, fire district south, permissive MV funds by \$71,827, \$62,365, \$19,050, \$5,138, \$3,574, and \$1,220, 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, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note	\$ 65,000	7.00%
Recreational Facility Bonds	<u>446,250</u>	4.35%
Total	<u>\$511,250</u>	

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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
2010	\$ 10,000	\$ 4,550	\$ 55,822	\$ 18,811
2011	10,000	3,850	58,277	16,356
2012	10,000	3,150	60,839	13,794
2013	10,000	2,450	63,514	11,119
2014	10,000	1,750	66,308	8,326
2015 - 2019	15,000	1,050	141,490	7,777
Total	\$ 65,000	\$ 16,800	\$ 446,250	\$ 76,183

6. RETIREMENT SYSTEM

The Township employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement 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. Members of OPERS contributed 10 percent of their gross salaries in 2009 and 2008. The Township contributed an amount equal to 14.0 percent of participants' gross salaries in 2009 and 2008. The Township has paid all contributions required through December 31, 2009 and 2008.

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

7. RISK MANAGEMENT

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

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

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

Casualty Coverage

For occurrences prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, and provides up to \$1,750,000 per claim and \$10,000,000 in aggregate per year. For occurrences on or after January 1, 2006, OTARMA retains casualty risk up to \$350,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contribution to APEEP. APEEP reinsures claim exceeding \$350,000, and provides up to \$2,650,000 per claim and \$10,000,000 in aggregate per year.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to an aggregate of \$10,000,000. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000, General Reinsurance Corporation.

Property Coverage

Travelers reinsures specific losses exceeding \$250,000, and provides up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined OTARMA members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective OTARMA member.

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

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

7. 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, 2008 and 2007 (the latest information available):

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

At December 31, 2008 and 2007, respectively, casualty coverage liabilities noted above include approximately \$10.9 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.9 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$30,470. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<u>Year</u>	<u>Contribution</u>
2009	\$20,271
2008	\$22,087
2007	\$25,354

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

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 15, 2010, the date on which the financial statements were available for issue.

9. CONTINGENCY

As of December 31, 2009, the Township is a defendant in a lawsuit. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not have a material adverse affect on the Township's financial condition.

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

**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 the Jackson Township, Montgomery County, Ohio (the Township), as of and for the years ended December 31, 2009, and 2008, and have issued our report thereon dated April 15, 2010, 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. 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 2009-003, 2009-004, and 2009-005 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 2009-001 and 2009-002 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 2009-001, 2009-002, and 2009-004 through 2009-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated April 15, 2010.

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

April 15, 2010

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

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 32 percent and 64 percent of expenditures in 2009 and 2008, 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, 2009 AND 2008

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

FINDING NUMBER 2009-001 (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 Fiscal Officer will review ORC Section 5705.41 (D) for proper certification of funds.

FINDING NUMBER 2009-002

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:

Fund Name	Actual Resources	Appropriation	Variance
2009			
Motor Vehicle License	\$34,765	\$35,000	(\$235)
FEMA	12,442	14,505	(2,063)
2008			
General Fund	\$415,512	\$487,339	(\$71,827)
Gasoline Fund	193,023	255,388	(62,365)
Police District	562,316	581,366	(\$19,050)
Fire District North	311,749	316,887	(5,138)
Fire District South	140,655	144,229	(3,574)
Permissive MVL	37,820	39,040	(1,220)

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-002, 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: Fiscal Officer and Trustees will monitor budgetary compliance more closely in the future.

FINDING NUMBER 2009-003

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 Fiscal Officer will make every effort to record receipts timely.

FINDING NUMBER 2009-004

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, 2009 AND 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-004, continued

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

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.
- Debt Proceeds were not properly recorded
- 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.
- Sales tax was noted as being paid on three invoices
- One check was noted as having only 1 trustee signature and fiscal officer signature (Section 570.11(B) requires at least two trustees and countersigned by the fiscal officer).

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.

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-005

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 2009 in the amount of \$172,547. 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.

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, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain
2007-001	ORC Sec. 5705.41(D) - Expenditures were not properly certified	No	Reissue as Finding 2009-001
2007-002	ORC 5705.36 - Estimated receipts exceeding actual receipts	No	Reissue as Finding 2009-002
2007-003	Failure to post revenue and reconciliations in a timely manner	Partially	Reissue as Finding 2009-003
2007-004	Ohio Admin Code Section 117-2 - Failure to properly post revenue and expenditures	No	Reissue as Finding 2009-004



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
JULY 20, 2010