



**Auditor of State
Betty Montgomery**

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Jackson Township
Montgomery County
49 East Walnut Street
Farmersville, Ohio 45325

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Montgomery County (the Township), as of and for the years ended December 31, 2003, 2002 and 2001. 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.

Except as discussed in the following paragraph, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 were not able to obtain employee time and attendance sheets which support the 2001 payroll expenditures, nor were we able to satisfy ourselves as to those financial activities by other auditing procedures. Those financial activities are included in the General and Special Revenue Fund Types and represent 100% of the payroll expenditures (\$362,759) during 2001, which is 26% of the total 2001 expenditures (\$1,395,228).

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Section 117.11(B) and 115.56 mandates the Auditor of State to audit Ohio Governments. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the effects of matters discussed in the third paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2003, 2002 and 2001 and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2004 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 13, 2004

**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, 2003**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$16,926	\$634,502		\$651,428
Intergovernmental	399,938	215,257		615,195
Charges for Services	4,200	228,852		233,052
Licenses, Permits, and Fees	6,719	200		6,919
Fines, Forfeitures, and Penalties	528	13,489		14,017
Earnings on Investments	1,348	697		2,045
Other Revenue	12,641	13,385		26,026
	<u>442,300</u>	<u>1,106,382</u>		<u>1,548,682</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	134,362	15,148		149,510
Public Safety		629,534		629,534
Public Works		281,025		281,025
Human Services		32,466		32,466
Conservation - Recreation		119,214		119,214
Debt Service:				
Redemption of Principal	10,000	42,357		52,357
Interest and Fiscal Charges	9,450	5,443		14,893
Capital Outlay		62,631		62,631
	<u>153,812</u>	<u>1,187,818</u>		<u>1,341,630</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>288,488</u>	<u>(81,436)</u>		<u>207,052</u>
Other Financing Receipts and (Disbursements):				
Advances-In		85,000		85,000
Advances-Out	(45,000)	(40,000)		(85,000)
	<u>(45,000)</u>	<u>45,000</u>		
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>243,488</u>	<u>(36,436)</u>		<u>207,052</u>
Fund Cash Balances, January 1	<u>7,938</u>	<u>166,793</u>	<u>5,527</u>	<u>180,258</u>
Fund Cash Balances, December 31	<u><u>\$251,426</u></u>	<u><u>\$130,357</u></u>	<u><u>\$5,527</u></u>	<u><u>\$387,310</u></u>
Reserve for Encumbrances, December 31		<u><u>\$102</u></u>		<u><u>\$102</u></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, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$15,722	\$610,428		\$626,150
Intergovernmental	106,053	269,345		375,398
Charges for Services		278,910		278,910
Licenses, Permits, and Fees	5,990	308		6,298
Fines, Forfeitures, and Penalties		4,868		4,868
Earnings on Investments	1,537	2,167		3,704
Other Revenue	8,678	51,792		60,470
	<u>137,980</u>	<u>1,217,818</u>		<u>1,355,798</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	165,286	522		165,808
Public Safety		720,369		720,369
Public Works		387,331		387,331
Conservation - Recreation		95,095		95,095
Debt Service:				
Redemption of Principal	10,000	59,388		69,388
Interest and Fiscal Charges	10,150	6,097		16,247
Capital Outlay	15,035	99,635		114,670
	<u>200,471</u>	<u>1,368,437</u>		<u>1,568,908</u>
Total Cash Disbursements				
Total Receipts (Under) Disbursements	<u>(62,491)</u>	<u>(150,619)</u>		<u>(213,110)</u>
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes		35,400		35,400
Transfers-In	11,852			11,852
Advances-In	35,600	35,600		71,200
Transfers-Out		(11,852)		(11,852)
Advances-Out	(35,600)	(35,600)		(71,200)
	<u>11,852</u>	<u>23,548</u>		<u>35,400</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(50,639)	(127,071)		(177,710)
Fund Cash Balances, January 1	58,577	293,864	5,527	357,968
Fund Cash Balances, December 31	<u>\$7,938</u>	<u>\$166,793</u>	<u>\$5,527</u>	<u>\$180,258</u>
Reserve for Encumbrances, December 31	<u>\$81</u>	<u>\$643</u>		<u>\$724</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, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$15,320	\$595,654		\$610,974
Intergovernmental	87,668	247,855		335,523
Special Assessments		872		872
Charges for Services		224,508		224,508
Licenses, Permits, and Fees	4,837	466		5,303
Fines, Forfeitures, and Penalties		6,539		6,539
Earnings on Investments	12,391	11,828	678	24,897
Other Revenue	12,633	32,508		45,141
	<u>132,849</u>	<u>1,120,230</u>	<u>678</u>	<u>1,253,757</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	123,470	353		123,823
Public Safety	993	705,480		706,473
Public Works		213,208		213,208
Health	990			990
Conservation - Recreation		92,406		92,406
Debt Service:				
Redemption of Principal	35,000	57,367		92,367
Interest and Fiscal Charges	11,976	4,209		16,185
Capital Outlay	22,453	127,323	150,602	300,378
	<u>194,882</u>	<u>1,200,346</u>	<u>150,602</u>	<u>1,545,830</u>
Total Cash Disbursements				
Total Receipts (Under) Disbursements	<u>(62,033)</u>	<u>(80,116)</u>	<u>(149,924)</u>	<u>(292,073)</u>
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Bonds		34,800		34,800
Sale of Notes		37,748		37,748
Sale of Fixed Assets		7,700		7,700
Transfers-In		20,137		20,137
Transfers-Out		(20,137)		(20,137)
Other Sources		12,524		12,524
		<u>92,772</u>		<u>92,772</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(62,033)	12,656	(149,924)	(199,301)
Fund Cash Balances, January 1	120,610	281,208	155,451	557,269
Fund Cash Balances, December 31	<u>\$58,577</u>	<u>\$293,864</u>	<u>\$5,527</u>	<u>\$357,968</u>
Reserve for Encumbrances, December 31	<u>\$2,495</u>	<u>\$15,949</u>		<u>\$18,444</u>

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

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**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Jackson Township, 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. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. 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
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Gasoline Tax Fund - This fund receives gasoline tax money to pay 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.

3. Capital Project Funds

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. 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.

3. 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 2003, 2002 and 2001 budgetary activity appears in Note 3.

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

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:

	2003	2002	2001
Demand deposits	(\$14,490)	(\$11,565)	\$12,461
Star Ohio	72,997	92,021	105,127
Repurchase agreement	328,803	99,802	240,380
Total investments	401,800	191,823	345,507
Total deposits and investments	\$387,310	\$180,258	\$357,968

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003, 2002 and 2001 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$474,288	\$442,300	(\$31,988)
Special Revenue	1,273,638	1,191,382	(82,256)
Capital Projects	0	0	0
Total	\$1,747,926	\$1,633,682	(\$114,244)

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$198,812	(\$198,812)
Special Revenue	0	1,227,920	(1,227,920)
Capital Projects	0	0	0
Total	<u>\$0</u>	<u>\$1,426,732</u>	<u>(\$1,426,732)</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$126,232	\$185,432	\$59,200
Special Revenue	1,012,078	1,288,818	276,740
Capital Projects	2,200	0	(2,200)
Total	<u>\$1,140,510</u>	<u>\$1,474,250</u>	<u>\$333,740</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$236,152	(\$236,152)
Special Revenue	0	1,416,532	(1,416,532)
Capital Projects	0	0	0
Total	<u>\$0</u>	<u>\$1,652,684</u>	<u>(\$1,652,684)</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$115,506	\$132,849	\$17,343
Special Revenue	1,082,878	1,233,139	150,261
Capital Projects	400	678	278
Total	<u>\$1,198,784</u>	<u>\$1,366,666</u>	<u>\$167,882</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$197,377	(\$197,377)
Special Revenue	0	1,236,432	(1,236,432)
Capital Projects	0	150,602	(150,602)
Total	<u>\$0</u>	<u>\$1,584,411</u>	<u>(\$1,584,411)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund and all Special Revenue Funds by 100% for the years ended December 31, 2003, 2002 and 2001.

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Also contrary to Ohio law, the following funds had a cash deficit balance of:

\$18,809 in the Gasoline Tax Fund and \$58,195 in the Police fund at December 31, 2003
\$1,286 in the Road & Bridge Fund and \$55,966 in the Police fund at December 31, 2002

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.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

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 rate of 7%.

During 2002, 2001 and 2000, the township entered into a loan agreement with Eaton National bank for the purchase of four vehicles.

During 2000, the township entered into a loan agreement with First National bank of Germantown for the purchase of two vehicles.

On May 7, 2001, the Township issued \$30,000 Park Improvement Bonds for the purpose of providing funds to construct site improvements, particularly bike paths to the Townships parks.

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

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

	Loans Payable	General Obligation Bonds	General Obligation Note
Year ending December 31:			
2004	\$33,007	\$10,923	\$18,750
2005	18,180		18,050
2006			17,350
2007			16,650
2008			15,950
2009 – 2013			69,250
2014 – 2015			27,800
Total	\$51,187	\$10,923	\$183,800

6. RETIREMENT SYSTEMS

The Township's law enforcement officers and all other full time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. 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. For 2003, 2002 and 2001, members of OPERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003, 2002 and 2001. The Township has paid all contributions required as of December 31, 2003.

7. RISK MANAGEMENT

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP 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
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT (Continued)

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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 government.

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 2002 and 2001 (the latest information available):

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	(9,197,512)	(9,379,003)
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

8. CONTINGENT LIABILITIES

The Township is defendant in several 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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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Jackson Township
Montgomery County
49 East Walnut Street
Farmersville, Ohio 45325

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Montgomery County, (the Township), as of and for the years ended December 31, 2003, 2002 and 2001, and have issued our report thereon dated May 13, 2004, wherein we noted that we were not able to obtain employee time and attendance sheets which support the 2001 payroll expenditures, nor were we able to satisfy ourselves as to those financial activities by other auditing procedures. Additionally, we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2003-001 to 2003-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 13, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 to be 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 judgment, could adversely affect Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-007 to 2003-009.

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**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, of the reportable conditions described above, we consider items 2003-007 and 2003-008 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 13, 2004.

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

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

Betty Montgomery
Auditor of State

May 13, 2004

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001**

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

FINDING NUMBER 2003-001

Finding for Recovery

Ohio Rev. Code Section 507.09 (A) and (D) outlines the compensation for the clerk of the township on the basis of the budget. **Ohio Attorney General Opinion 99-015** states for the purposes of calculating the authorized compensation of the township trustees and the township clerk pursuant to O.R.C. 505.24 and O.R.C. 507.09, the term “budget” refers to the total amount of resources available to the township pursuant to the Official Certificate of Estimated Resources or amendments to the certificate. **Auditor of State Bulletin 99-008** provided additional clarification and stated when determining what the township’s budget is, the amount of the Official Certificate of Estimated Resources or any amended certificates should be used, and noted that the date of the certificate, as dated by the County Auditor, is the date that should be used in determining when any increases due to increased budgets are effective.

On January 29, 2001, the Township amended the Official Certificate of Estimated Resources from \$1,428,419 to \$1,758,006, which increased the compensation of the township clerk. Additionally, on July 19, 2002, the Township amended the Official Certificate of Estimated Resources from \$1,443,860 to \$1,500,869, which again, increased the compensation of the township clerk. The actual compensation paid was adjusted to increase the township clerk’s salary to a new salary for the entire year of 2001 and 2002 rather than being compensated at the increased rate for the remainder of 2001 and 2002, respectively, which resulted in an overpayment of compensation for the township clerk as follows:

2001

Budget Level	Monthly Salary Allowed	Period Effective based upon budget	Total Salary Allowed
750,000 to 1,500,000	\$1,202	1/1/01 to 1/29/01	\$1,202
1,500,001 to 3,500,000	1,402	1/30/01 to 12/31/01	15,422
Total Salary Allowed			16,624
2001 Actual Salary Paid			16,827
Total overpaid in 2001			\$203

2002

Budget Level	Monthly Salary Allowed	Period Effective based upon budget	Total Salary Allowed
750,000 to 1,500,000	\$1,238	1/1/02 to 7/19/02	\$8,171
1,500,001 to 3,500,000	1,444	7/20/02 to 12/31/02	7,798
Total Salary Allowed			15,969
2002 Actual Salary Paid			17,332
Total overpaid in 2002			\$1,363

**FINDING NUMBER 2003-001
(Continued)**

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Kimberly Alspaugh, Township Clerk, and her bonding company the Ohio Township Association Risk Management Authority, jointly and severally, in the amount of \$1,566 in favor of the Township's General Fund.

FINDING NUMBER 2003-002

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 2003, 2002, and 2001. Even though, a temporary appropriation measure was passed at the trustees regular meeting for fiscal years 2001 and 2003 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.

FINDING NUMBER 2003-003

Ohio Rev. Code Section 5705.36 requires that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. This Section also 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.

The Township failed to certify to the county auditor the total amount from all sources which are available for expenditures for fiscal year 2002. Furthermore, the Clerk did not provide the Board with monthly financial information to monitor budgeted revenue versus actual revenue. Failure to compile available resources and certify timely with the county auditor could result in expenditures exceeding available resources and possibly result in deficit spending. 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. Additionally, the Township Clerk and Board should review monthly financial information and modify estimated resources to more accurately reflect anticipated receipts.

FINDING NUMBER 2003-004

Ohio Rev. Code Section 5705.10 states that the monies paid into any fund shall be used only for which purpose such fund was established. The existence of a deficit fund balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund or funds carrying the deficit balance.

At December 31, 2002, the Township's Police Fund had a deficit fund balance of \$55,966 and the Road and Bridge Fund had a deficit fund balance of \$1,286. Additionally, at December 31, 2003 the Township's Police Fund had a deficit fund balance of \$58,195 and the Gasoline Fund had a deficit fund balance of \$18,809.

The Township Clerk and Board should review monthly financial information and implement budgetary review procedures that would detect and prevent deficit spending.

FINDING NUMBER 2003-005

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)(1) 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 \$1,000 (HB 454, effective 4-7-03, increased the limit to \$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** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. (HB 95, effective 9-25-03, eliminated the \$5,000 and 3 month restrictions). 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 particular 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 100% of the expenditures and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds resulted in 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.

FINDING NUMBER 2003-006

Ohio Rev. Code Section 149.351 (A) states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections **149.38 to 149.42 of the Revised Code**. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

The Township was unable to provide the following items for the audit:

- Employee time and attendance sheets for 100% or \$379,759 of the payroll expenditures tested in 2001;
- Records of the Board meetings;
- Deposit slips and receipt documentation;
- Invoices.

Failure to retain public records could result in the Townships inability to detect errors or irregularities in the normal course of business. The Township should maintain all accounting records and supporting documents until they have been subjected to auditing procedures and only dispose of records in accordance with a record retention policy approved by the Board of Trustees.

FINDING NUMBER 2003-007

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:

- Monthly bank-to-book reconciliations were either not accurately prepared or not prepared at all for the entire three year period under audit;
- The Township's cash fund balances, did not agree to the monthly bank-to-book reconciliations for the entire three year period under audit;
- There was no indication that the Board of 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 controls should be implemented:

- Monthly bank-to-book reconciliations should be prepared;
- Interest from all accounts should be posted monthly;
- The monthly bank-to-book reconciliations should be reviewed by the Board of 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 Board is included. The Township Board of Trustees should date and initial the monthly reconciliation as documentation of their review.

FINDING NUMBER 2003-008

Improper Recording of Revenues and Expenditure Transactions

Forty-six revenue and expenditure transactions were not classified or recorded to the correct financial statement line item, based on the nature of the transactions for years 2003, 2002, and 2001. Failure to accurately record revenues and expenditures to the proper line item could result in material misstatements to the financial statements.

The Township subsequently determined the source and nature of each receipt and expenditure transaction and recorded financial activity according to the account code that resembles the nature of the transaction. Additionally, 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.

FINDING NUMBER 2003-009

Developing and Implementing an 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 Board of 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.

**JACKSON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2003, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40357-001	ORC Sec. 5705.41(B) - Expenditures exceeded Appropriations	No	Not Corrected. Comment repeated in current audit as Finding Number 2003-002.



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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 6, 2004**