



**Auditor of State
Betty Montgomery**

JACKSON TOWNSHIP
ALLEN COUNTY

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**Auditor of State
Betty Montgomery**

Jackson Township
Allen County
11510 Ada Road
Ada, Ohio 45810

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 28, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Jackson Township
Allen County
11510 Ada Road
Ada, Ohio 45810

To the Board of Trustees:

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

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.



Betty Montgomery
Auditor of State

August 28, 2006

**JACKSON TOWNSHIP
ALLEN COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$47,414	\$125,070	\$172,484
Intergovernmental	80,533	141,718	222,251
Charges for Services		1,735	1,735
Licenses, Permits, and Fees		4,205	4,205
Earnings on Investments	3,929		3,929
Other Revenue	1,030	16,617	17,647
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	132,906	289,345	422,251
Cash Disbursements:			
Current:			
General Government	79,416	6,285	85,701
Public Safety		52,355	52,355
Public Works		159,720	159,720
Health	9,338	15,131	24,469
Debt Service:			
Redemption of Principal		30,000	30,000
Interest and Fiscal Charges		6,140	6,140
Capital Outlay	21,145	35,460	56,605
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	109,899	305,091	414,990
Total Receipts Over/(Under) Disbursements	23,007	(15,746)	7,261
Other Financing Receipts and (Disbursements):			
Transfers-In		8,000	8,000
Transfers-Out	(8,000)		(8,000)
Other Sources		2,325	2,325
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(8,000)	10,325	2,325
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	15,007	(5,421)	9,586
Fund Cash Balances, January 1	102,618	185,043	287,661
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$117,625</u>	<u>\$179,622</u>	<u>\$297,247</u>

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

**JACKSON TOWNSHIP
ALLEN COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$46,312	\$123,367		\$169,679
Intergovernmental	60,803	106,186	\$74,369	241,358
Charges for Services		6,192		6,192
Licenses, Permits, and Fees		2,515		2,515
Earnings on Investments	541			541
Other Revenue	2,505	12,618		15,123
Total Cash Receipts	110,161	250,878	74,369	435,408
Cash Disbursements:				
Current:				
General Government	72,829	6,093		78,922
Public Safety		67,429		67,429
Public Works		102,564		102,564
Health	9,197	15,636		24,833
Debt Service:				
Redemption of Principal		30,000		30,000
Interest and Fiscal Charges		7,397		7,397
Capital Outlay	13,272	27,386	74,369	115,027
Total Cash Disbursements	95,298	256,505	74,369	426,172
Total Receipts Over/(Under) Disbursements	14,863	(5,627)		9,236
Other Financing Receipts and (Disbursements):				
Transfers-In		9,000		9,000
Transfers-Out	(9,000)			(9,000)
Other Sources		2,775		2,775
Total Other Financing Receipts/(Disbursements)	(9,000)	11,775		2,775
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,863	6,148		12,011
Fund Cash Balances, January 1	96,755	178,895		275,650
Fund Cash Balances, December 31	<u>\$102,618</u>	<u>\$185,043</u>	<u>\$0</u>	<u>\$287,661</u>

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

**JACKSON TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Jackson Township, Allen County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

In 1985, the Village of Lafayette and Jackson Township entered into an agreement for the construction of a community hall. The Village provided the land and Jackson Township was responsible for the cost of the construction of the building. The Township pays an annual fee of \$1 and provides an office for the Village for the lease of the ground. The Township also provides all the maintenance and utilities for the building, which includes a monthly sewer charge to the Village.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Cash and Investments

Investments are included in fund cash balances. 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.

The Township values certificates of deposit 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:

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.

**JACKSON TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources 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 tax money to pay for constructing, maintaining, and repairing Township roads.

Fire Fund – This fund receives property tax money and is used for the maintenance and operations of the Volunteer Fire Department.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project fund in 2004:

Issue II Fund - The Township received a grant from the State of Ohio for road work on Fisher and McClure roads.

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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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. The Township did not use the encumbrance method of accounting.

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

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**JACKSON TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$237,247	\$227,661
Certificates of deposit	60,000	60,000
Total deposits	297,247	287,661

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

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

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$114,950	\$132,906	\$17,956
Special Revenue	263,000	299,670	36,670
Total	\$377,950	\$432,576	\$54,626

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$137,725	\$117,899	\$19,826
Special Revenue	362,700	305,091	57,609
Total	\$500,425	\$422,990	\$77,435

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$123,040	\$110,161	(\$12,879)
Special Revenue	240,800	262,653	21,853
Capital Projects	0	74,369	74,369
Total	\$363,840	\$447,183	\$83,343

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$104,298	(\$104,298)
Special Revenue	0	256,505	(256,505)
Capital Projects	0	74,369	(74,369)
Total	\$0	\$435,172	(\$435,172)

**JACKSON TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, during 2005, expenditures exceeded appropriations in the Road and Bridge Fund by \$4,685. During 2004, appropriations were not approved; therefore, in all funds, expenditures exceeded appropriations. During 2005, the Township received and expended approximately \$27,000 in FEMA funds without an increased amended certificate. In addition, prior certification that funds were available for expenditure was not obtained prior to incurring obligations, nor was the "then and now" certification used.

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 pay semiannually, 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, 2005 was as follows:

	Principal	Interest Rate
Bank Loan - Fire Truck	\$90,165	5%

The outstanding loan was obtained during 2003 to finance the purchase of a new fire truck. The loan is secured by the fire truck. Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Fire Truck		
	Principal	Interest	Total
2006	\$30,000	\$3,952	\$33,952
2007	30,000	2,377	32,377
2008	30,165	809	30,974
Total	\$90,165	\$7,138	\$97,303

**JACKSON TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. RETIREMENT SYSTEMS

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 the plan benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, members of OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

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 - OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

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

Property Coverage - Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses 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 members' total insurable value. 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 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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 township.

**JACKSON TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RISK MANAGEMENT (Continued)

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must 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 contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$34,094.



**Auditor of State
Betty Montgomery**

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

Jackson Township
Allen County
11510 Ada Road
Ada, Ohio 45810

To the Board of Trustees:

We have audited the financial statements of Jackson Township, Allen County, (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 28, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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 the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-005.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

In a separate letter to the Township's management dated August 28, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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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 directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-004. In a separate letter to the Township's management dated August 28, 2006, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

August 28, 2006

JACKSON TOWNSHIP
ALLEN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-001

Prior Certification

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. 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township 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 Township.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the current year. 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 Township 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.

During 2005 and 2004, prior certification was not obtained for 100 percent of the expenditures as purchase orders are not used by the Township. Unless the exceptions noted above are used, 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 of the Township's funds exceeding budgetary spending limitations, the Township should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used.

**FINDING NUMBER 2005-001
(Continued)**

The Township should certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer and Trustees should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied.

Officials' Response

The officials' chose not to respond to Finding 2005-001.

FINDING NUMBER 2005-002

Amended Certificates

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.

A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. An increased amended certificate must be obtained if the excess is appropriated and expended.

During 2005, an amended certificate should have been obtained for \$27,000 in FEMA money that was received and expended for ice storm damage. In addition, 2004 appropriations were not approved by the Board. As a result, any revenue deficiencies would have reduced available resources below the level of available for appropriation and all revenue excesses could have been appropriated and expended.

Procedures should be developed for documenting approvals relating to the budgetary process and to actively monitor the budget versus actual amounts and request amended certificates and increase or decrease appropriations, when necessary.

Officials' Response

The officials' chose not to respond to Finding 2005-002.

FINDING NUMBER 2005-003

Appropriation Measure

Ohio Rev. Code Section 5705.38 (A) 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 the first day of April of the current year.

The Board did not adopt a permanent appropriation measure for 2004. In 2005, the board approved the permanent appropriation measure on March 15, 2005, but did not approve a temporary appropriation measure at the beginning of the year.

**FINDING NUMBER 2005-003
(Continued)**

The Board must adopt a permanent appropriation measure for each year prior to April 1. The adoption of the permanent appropriation measure must be documented in the minutes. If the board does not approve the permanent appropriation measure around the first of the year, they must approve a temporary appropriation measure in order to receive the extension of April 1st. Any expenditure made without an appropriation is not considered a legal expenditure.

Officials' Response

The 2004 permanent appropriation measure has been submitted to the county auditor with the trustees' approval.

FINDING NUMBER 2005-004

Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2005, expenditures were in excess of appropriations in the Road and Bridge Fund in the amount of \$4,685. During 2004, expenditures were in excess of appropriations for all funds in the amount of the total expenditure from each fund due to the fact that appropriations had not been approved by the Board. (See Finding Number 2005-003).

Procedures should be developed to monitor budgetary process and budget versus actual reports should be reviewed by the Board.

Officials' Response

The officials' chose not to respond to Finding 2005-004.

FINDING NUMBER 2005-005

Effective Use of Township Resources

On March 22, 1999, the Township obtained the equipment and access to the Uniform Accounting Network (UAN) system for townships provided by the Auditor of State's office and the fiscal officer attended the training sessions offered by UAN. In addition, the Township was required to pay \$185 and \$77 per month for 2005 and 2004, respectively for UAN fees. The Township has not utilized the system since the acquisition date and has maintained manual records, resulting in substantial costs since the inception date.

Failure to utilize the resources available to the Township in processing daily transactions and producing month and year-end reports could lead to inefficient use of Township funds, increased audit costs, and errors and irregularities occurring and not being detected in a timely manner.

The Township should utilize the UAN system available to them in order to gain efficiency in processing transactions and producing reports on which to make informed decisions in the expenditure of Township's funds.

Officials' Response

The UAN system has been utilized starting with the year 2006.

**JACKSON TOWNSHIP
ALLEN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Revised Code Section 5705.41 (D) Failure to utilize purchase orders	No	Repeated finding as 2005-001
2003-002	Ohio Revised Code Section 5705.36 Obtaining an amended certificate	No	Repeated finding as 2005-002
2003-003	Ohio Revised Code Section 5705.41 (B) Expenditures limited by appropriations	No	Repeated finding as 2005-004
2003-004	Effective use of Township Resources	No	Repeated finding as 2005-005



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JACKSON TOWNSHIP

ALLEN 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 17, 2006**