



**Auditor of State
Betty Montgomery**

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Jennings Township
Van Wert County
21332 Gilbert Road
Spencerville, Ohio 45887

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jennings Township, Van Wert County, (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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. The Township processes its financial transactions with 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 audit the Government 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 § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jennings Township, as of December 31, 2005, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Gasoline Tax, Road and Bridge, and Fire Ambulance Levy funds for the year ended December 31, 2005, in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

August 1, 2006

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of Jennings Township, Van Wert County financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$ 10,980 or 15 percent from the prior year. The fund most affected by the increase in cash and cash equivalents was the Gasoline Tax Fund. The Gasoline Tax Fund realized the largest increase in funds due to an increase in Cents per Gallon and Excise Gasoline Tax.
- The Township's general receipts are primarily property and gasoline taxes. Local property tax was 22 percent of total receipts, with 49 percent of the total receipts coming from gasoline taxes.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. Jennings Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. General receipts are all receipts not classified as program receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating Jennings Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the extent of the Townships debt obligations, and the need for continued growth in the major local revenue sources such as local property, estate and gasoline taxes.

In the statement of net assets and the statement of activities, all of the Township's basic services are reported under governmental activities. All of the Township's basic services are reported here, including fire protection and road, ditch, and cemetery maintenance. Property and gasoline taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them. Cemetery maintenance is partially funded by burial fees and sales of cemetery lots. The remainder of cemetery maintenance and upkeep is expended from property taxes from the townships' General fund.

The Township has no business-type activities.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about Jennings Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. Jennings Township utilizes only the governmental fund category at this time, having no business-type funds.

All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and the Fire Ambulance Levy Fund for 2005. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on the cash basis:

**Table 1
Net Assets**

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$83,794	\$72,812
Total Assets:	83,794	72,812
Net Assets		
Restricted for:		
Capital Projects	6,639	6,639
Permanent Funds	728	1,294
Other Purposes	60,037	42,169
Unrestricted	16,390	22,712
Total Net Assets:	\$83,794	\$72,814

As mentioned previously, net assets of governmental activities increased \$10,980 or 15 percent during 2005. The primary reason contributing to the increase in cash balances was the increase in gasoline tax receipts as road work expenditures remained at the same level.

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented for 2004.

**Table 2
Change in Net Assets**

	Governmental Activities
Receipts	
Program Receipts:	
Charges for Services and Sales	\$3,125
Operating Grants and Contributions	90,036
Total program Receipts	93,161
General Receipts:	
Property and Other Local Taxes	34,662
Grants and Entitlements Unrestricted To Specific Programs	27,223
Interest	163
Miscellaneous	854
Total General Receipts	62,902
Total Receipts	\$156,063

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

**Table 2
Change in Net Assets**

	Governmental Activities
Disbursements:	
General Government	28,695
Public Safety	13,424
Public Works	90,036
Health	12,868
Capital Outlay	60
Total Disbursements	145,083
Net Assets, January 1,	72,814
Net Assets, December 31	\$83,794

2005

General receipts represent 40 percent of the Jennings Township's total receipts. Property and other taxes represent 22 percent of the Township's total revenue while 49 percent was received from gasoline taxes.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the cost of the Board of Trustees and the fiscal officer and payroll.

Public Safety represents fire and ambulance protection contracted with the Villages of Middle Point and Spencerville.

Jennings Township is a member of the Van Wert County Health District and the disbursement entitled Health is payment to that public entity for services provided for the Township and its residents.

Township Activities

If you look at the Statements of Activities on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of reimbursing these services. For 2005, the major program disbursements for governmental activities were for general government and public works which account for approximately 19% and 62% of all Township disbursements, respectively. A comparison between the total cost of services and the net cost is presented in Table 3 for 2005.

	Total Cost Of Services 2005	Net Cost Of Services 2005
General Government	\$28,695	(\$28,145)
Public Safety	13,424	(13,424)
Public Works	90,036	0
Health	12,868	(10,293)
Capital Outlay	60	(60)
Total Expenses	\$145,083	(\$51,922)

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The Township's Funds

Total governmental funds had receipts of \$156,065 and disbursements of \$145,083. The greatest change within governmental funds occurred within the Gasoline Tax Fund. The fund balance of the Gasoline Tax Fund increased in the amount of \$11,311 as the result of a significant increase in gasoline tax receipts.

General Fund receipts were significantly less than disbursements indicating that the General Fund had deficit spending in 2005. The Township budget and financial committee consisting of the Board of Township Trustees and the Township Clerk, will continue to monitor disbursements, understanding the general slow growth in most areas of tax receipts.

The Township Fire levy receipts covered the entire cost of township fire and EMS protection in 2005.

General and Gas Tax Fund Budgeting Highlights

Jennings Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

General Fund receipts were less than budget expectations for 2005. Actual receipts in the General Fund were \$28,870 with an expected budget amount of \$ 34,600. Actual 2005 disbursements in the General Fund amounted to \$34,855. There was a decrease in the general fund balance of \$6,322.

Gas Tax Fund receipts were more than budget expectations for 2005. Actual receipts in the as Gas Tax Fund were \$77,272 with an expected budget amount of \$65,028. Actual 2005 disbursements in the Gas Tax Fund amounted to \$65,961. There was an increase in the Gas Tax fund balance of \$11,311.

Current Issues

The challenge for Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. Jennings Township relies heavily on local taxes and has very little industry to support the tax base. No major capital investments for equipment are planned, and management will continue to provide the best service to township residents while staying within budget guidelines.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to MaryLou Macklin, Jennings Township Clerk, 21332 Gilbert Road, Spencerville, Ohio 45887.

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**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$83,794</u>
Total Assets	<u><u>\$83,794</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$6,639
Debt Service	
Permanent Funds	728
Other Purposes	60,037
Unrestricted	<u>16,390</u>
Total Net Assets	<u><u>\$83,794</u></u>

See accompanying notes to the basic financial statements.

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities				
General Government	\$28,695	\$550	(\$28,145)	
Public Safety	13,424		(13,424)	
Public Works	90,036	\$90,036		
Health	12,868	2,575	(10,293)	
Capital Outlay	60		(60)	
Total Governmental Activities	<u>145,083</u>	<u>3,125</u>	<u>90,036</u>	<u>(51,922)</u>
General Receipts				
Property Taxes Levied for:				
General Purposes			34,662	
Grants and Entitlements not Restricted to Specific Programs			27,223	
Interest			163	
Miscellaneous			854	
			62,902	
Total General Receipts			62,902	
Change in Net Assets			10,980	
Net Assets Beginning of Year			72,814	
Net Assets End of Year			\$83,794	

See accompanying notes to the basic financial statements.

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road & Bridge</u>	<u>Fire Ambulance Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$16,390	\$27,779	\$12,202	\$12,997	\$14,426	\$83,794
Total Assets	<u>\$16,390</u>	<u>\$27,779</u>	<u>\$12,202</u>	<u>\$12,997</u>	<u>\$14,426</u>	<u>\$83,794</u>
Fund Balances						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	16,390					16,390
Special Revenue Funds		27,779	12,202	12,997	7,059	60,037
Capital Projects Funds					6,639	6,639
Permanent Fund					728	728
Total Fund Balances	<u>\$16,390</u>	<u>\$27,779</u>	<u>\$12,202</u>	<u>\$12,997</u>	<u>\$14,426</u>	<u>\$83,794</u>

See accompanying notes to the basic financial statements.

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

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

	General	Gasoline Tax	Road & Bridge	Fire Ambulance Levy	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$4,614		\$15,861	\$12,886	\$1,301	\$34,662
Licenses, Permits and Fees	550					550
Intergovernmental	23,107	\$77,233	2,044	1,702	13,173	117,259
Interest	96	39			28	163
Other	503		353		2,575	3,431
Total Receipts	28,870	77,272	18,258	14,588	17,077	156,065
Disbursements						
Current:						
General Government	25,790				2,905	28,695
Public Safety				12,501	923	13,424
Public Works		65,961	12,646		11,429	90,036
Health	9,065				3,803	12,868
Capital Outlay					60	60
Total Disbursements	34,855	65,961	12,646	12,501	19,120	145,083
Excess of Receipts Over (Under) Disbursements	(5,985)	11,311	5,612	2,087	(2,043)	10,982
Other Financing Sources (Uses)						
Transfers In					337	337
Transfers Out	(337)					(337)
Total Other Financing Sources (Uses)	(337)				337	
Net Change in Fund Balances	(6,322)	11,311	5,612	2,087	(1,706)	10,982
Fund Balances Beginning of Year	22,712	16,468	6,590	10,910	16,132	72,812
Fund Balances End of Year	<u>\$16,390</u>	<u>\$27,779</u>	<u>\$12,202</u>	<u>\$12,997</u>	<u>\$14,426</u>	<u>\$83,794</u>

See accompanying notes to the basic financial statements.

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$5,330	\$5,330	\$4,614	(\$716)
Licenses, Permits and Fees			550	550
Intergovernmental	23,470	23,470	23,107	(363)
Interest	100	100	96	(4)
Other	5,700	5,700	503	(5,197)
Total receipts	<u>34,600</u>	<u>34,600</u>	<u>28,870</u>	<u>(5,730)</u>
Disbursements				
Current:				
General Government	52,832	52,832	25,790	27,042
Health	12,503	12,503	9,065	3,438
Total Disbursements	<u>65,335</u>	<u>65,335</u>	<u>34,855</u>	<u>30,480</u>
Excess of Receipts Over (Under) Disbursements	<u>(30,735)</u>	<u>(30,735)</u>	<u>(5,985)</u>	<u>24,750</u>
Other Financing Sources (Uses)				
Transfers Out		(338)	(338)	
Total Other Financing Sources (Uses)		<u>(338)</u>	<u>(338)</u>	
Net Change in Fund Balance	(30,735)	(31,073)	(6,323)	24,750
Fund Balance Beginning of Year	<u>22,713</u>	<u>22,713</u>	<u>22,713</u>	
Fund Balance End of Year	<u>(\$8,022)</u>	<u>(\$8,360)</u>	<u>\$16,390</u>	<u>\$24,750</u>

See accompanying notes to the basic financial statements.

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GAS TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$65,000	\$65,000	\$77,233	\$12,233
Interest	28	28	39	11
Total receipts	<u>65,028</u>	<u>65,028</u>	<u>77,272</u>	<u>12,244</u>
Disbursements				
Current:				
General Government	2,500	2,500		2,500
Public Works	77,334	77,334	65,961	11,373
Total Disbursements	<u>79,834</u>	<u>79,834</u>	<u>65,961</u>	<u>13,873</u>
Excess of Receipts Over (Under) Disbursements	<u>(14,806)</u>	<u>(14,806)</u>	<u>11,311</u>	<u>26,117</u>
Fund Balance Beginning of Year	<u>14,806</u>	<u>14,806</u>	<u>14,806</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$26,117</u></u>	<u><u>\$26,117</u></u>

See accompanying notes to the basic financial statements.

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$17,220	\$17,220	\$15,861	(\$1,359)
Intergovernmental	1,100	1,100	2,044	944
Other			353	353
Total receipts	<u>18,320</u>	<u>18,320</u>	<u>18,258</u>	<u>(62)</u>
Disbursements				
Current:				
Public Works	<u>18,610</u>	<u>18,610</u>	<u>12,646</u>	<u>5,964</u>
Total Disbursements	<u>18,610</u>	<u>18,610</u>	<u>12,646</u>	<u>5,964</u>
Excess of Receipts Over (Under) Disbursements	<u>(290)</u>	<u>(290)</u>	<u>5,612</u>	<u>5,902</u>
Fund Balance Beginning of Year	<u>6,590</u>	<u>6,590</u>	<u>6,590</u>	
Fund Balance End of Year	<u><u>\$6,300</u></u>	<u><u>\$6,300</u></u>	<u><u>\$12,202</u></u>	<u><u>\$5,902</u></u>

See accompanying notes to the basic financial statements.

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE AMBULANCE LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$14,360	\$14,360	\$12,886	(\$1,474)
Intergovernmental	900	900	1,702	802
Total receipts	<u>15,260</u>	<u>15,260</u>	<u>14,588</u>	<u>(672)</u>
Disbursements				
Current:				
General Government	500	500		500
Public Safety	23,832	23,832	12,501	11,331
Total Disbursements	<u>24,332</u>	<u>24,332</u>	<u>12,501</u>	<u>11,831</u>
Excess of Receipts Over (Under) Disbursements	<u>(9,072)</u>	<u>(9,072)</u>	<u>2,087</u>	<u>11,159</u>
Fund Balance Beginning of Year	<u>10,910</u>	<u>10,910</u>	<u>10,910</u>	
Fund Balance End of Year	<u><u>\$1,838</u></u>	<u><u>\$1,838</u></u>	<u><u>\$12,997</u></u>	<u><u>\$11,159</u></u>

See accompanying notes to the basic financial statements.

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. DESCRIPTION OF ENTITY

Jennings Township, Van Wert County, is a body politic and corporate 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 also has an elected Township Clerk. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection and emergency medical services. The Township contracts with the Villages of Middle Point and the Village of Spencerville for fire protection and ambulance services.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township.

The Township participates in one public entity risk pool. Note 9 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

Ohio Government Risk Management Plan provides property and casualty coverage to the Township.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

2. Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non major funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The Township only has one category of funds, which is governmental.

1. Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gas Tax Fund, Road and Bridge Fund, and the Fire Ambulance Levy Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as 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 negative receipts (contra revenue), respectively.

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During 2005, the Township invested in nonnegotiable certificates of deposit and a \$500 U.S Savings Bond. The nonnegotiable certificates of deposit are recorded at the amount reported by the depository on December 31, 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$96 and interest receipts credited to Special Funds was \$67.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments

L. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, gasoline tax fund, road and bridge fund and fire levy fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). There were no outstanding encumbrances or advances at year end.

4. CHANGES IN THE BASIS OF ACCOUNTING

Prior to 2005 the Township reported fund financial statements by fund type using the regulatory basis of accounting prescribed by the Auditor of State. For 2005 the Township has implemented the basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column rather than a column for each fund type.

5. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments pool used by all funds. Monies held by the Township are classified by State statute into three categories:

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

5. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

As of December 31, 2005, the Township had no undeposited cash on hand.

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

5. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

A. Deposits

The carrying amount of cash deposits at December 31, 2005 was \$83,294.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

The deposits were insured by the Federal Depository Insurance Corporation.

B. Investments

The Township has a \$500 U.S. Savings Bond which is valued at cost.

6. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October a date for which rates are adopted by the 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. 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 with 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.

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

7. RETIREMENT SYSTEM

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

7. RETIREMENT SYSTEM (Continued)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members participated in the traditional plan, and were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$4,872, \$4,756, and \$5,471 respectively. The full amount has been contributed for 2005, 2004 and 2003. The Public Employees Retirement System of Ohio (PERS) is a state operated, cost-sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

8. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll. 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 and 2004 which were used to fund post-employment benefits were \$1,872 and \$1,529, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

9. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available):

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

9. RISK MANAGEMENT (Continued)

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.



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*

Jennings Township
Van Wert County
21332 Gilbert Road
Spencerville, Ohio 45887

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jennings Township, Van Wert County, (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated August 1, 2006, wherein we noted that the Township uses a comprehensive basis of accounting other than generally accepted accounting principles. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit 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 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. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated August 1, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested 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 an instance of noncompliance that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Township's management dated August 1, 2006, we reported other matters related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

Jennings Township
Van Wert County
Independent Accountant's Report on Internal Control
Over Financial Reporting and On Compliance and
Other Matters Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

August 1, 2006

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

FINDING NUMBER 2005-001

Ohio Rev. Code Section 5705.41(D) states, in part, that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a clerk'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 clerk can certify that both at the time that the contract or order was made ("then"), and at the time that the clerk 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 clerk 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** – Clerks may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal 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 line item appropriation.

In forty-six (46%) percent of the invoices tested, the date of the invoice preceded the date of the purchase order or blanket certificate date. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

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, we recommend that the Clerk certify that the funds are or will be available prior to 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 section 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 section 5705.41(D) are satisfied.

Officials Response:

We did not receive a response from officials for the above finding.

**JENNINGS TOWNSHIP
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC Sec. 5705.41 (D) – Failure to certify the availability of funds prior to entering into purchase obligations	No	See finding number 2005-001



**Auditor of State
Betty Montgomery**

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JENNINGS TOWNSHIP

VAN WERT 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
SEPTEMBER 5, 2006**