



Dave Yost • Auditor of State



JACKSON TOWNSHIP  
HIGHLAND COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	21

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# Dave Yost • Auditor of State

Jackson Township  
Highland County  
3199 Pleasant Road  
Hillsboro, Ohio 45133

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 an 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 adverse 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 black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

September 12, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Jackson Township  
Highland County  
3199 Pleasant Road  
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as noted below, 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 Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

We were unable to obtain sufficient evidence to support the completeness of the Belfast Community Center Fund (2902) miscellaneous receipts comprising 9% of the total Special Revenue Fund Type operating receipts in 2009, and 5% of the total Special Revenue Fund Type operating receipts in 2010, nor were we able to satisfy ourselves by other auditing procedures.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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, 2010 and 2009 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, 2010, or its changes in financial position for the years then ended.

Also, in our opinion, except for such adjustments, if any, might have been determined to be necessary had we been able to obtain sufficient document supporting Special Revenue Miscellaneous Receipts as noted in paragraph 3 above, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Jackson Township, Highland County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2011, 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.



**Dave Yost**  
Auditor of State

September 12, 2011



**JACKSON TOWNSHIP  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>General</b>	<b>Special Revenue</b>	<b>Permanent</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>				
Property and Local Taxes	\$21,578	\$32,535		\$54,113
Licenses, Permits, and Fees	0			0
Intergovernmental	12,146	109,243		121,389
Earnings on Investments	12	0	\$13	25
Miscellaneous	176	7,521		7,697
	<u>33,912</u>	<u>149,299</u>	<u>13</u>	<u>183,224</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	28,225	9,796		38,021
Public Safety		17,581		17,581
Public Works		112,591		112,591
Capital Outlay	26	42,972		42,998
Health	2,669	0		2,669
	<u>30,920</u>	<u>182,940</u>	<u>0</u>	<u>213,860</u>
Total Receipts (Under) Disbursements	<u>2,992</u>	<u>(33,641)</u>	<u>13</u>	<u>(30,636)</u>
<b>Other Financing Receipts:</b>				
Proceeds from Debt:				
Sale of Notes		42,972		42,972
	<u>0</u>	<u>42,972</u>	<u>0</u>	<u>42,972</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	2,992	9,331	13	12,336
Fund Cash Balances, January 1	11,413	108,849	679	120,941
<b>Fund Cash Balances, December 31</b>	<b><u>\$14,405</u></b>	<b><u>\$118,180</u></b>	<b><u>\$692</u></b>	<b><u>\$133,277</u></b>

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

**JACKSON TOWNSHIP  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Local Taxes	\$20,405	\$32,592		\$52,997
Intergovernmental	11,028	107,989		119,017
Earnings on Investments	23	0		23
Miscellaneous	0	14,360		14,360
<b>Total Cash Receipts</b>	<u>31,456</u>	<u>154,941</u>	<u>0</u>	<u>186,397</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	29,519	17,828		47,347
Public Safety	0	17,230		17,230
Public Works	0	96,138		96,138
Health	2,630			2,630
Capital Outlay	348			348
Interest and Fiscal Charges		12		12
<b>Total Cash Disbursements</b>	<u>32,497</u>	<u>131,208</u>	<u>0</u>	<u>163,705</u>
Total Receipts Over/(Under) Cash Disbursements	<u>(1,041)</u>	<u>23,733</u>	<u>0</u>	<u>22,692</u>
Fund Cash Balances, January 1	<u>12,454</u>	<u>85,116</u>	<u>679</u>	<u>98,249</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$11,413</b></u>	<u><b>\$108,849</b></u>	<u><b>\$679</b></u>	<u><b>\$120,941</b></u>

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

**JACKSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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, Highland County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, and cemetery maintenance. The Township contracts with the City of Hillsboro to provide fire services and Emergency Medical Services, Inc., to provide ambulance services.

The Township is part of the Highland County Joint Township Hospital District, a jointly governed organization established for the public purpose of better providing for the health and welfare of the people primarily of Highland County. Trustees from each of the 17 townships or Highland County constitute the Highland County Joint Township Hospital Board of Trustees who appoints the Hospital Board of Governors which is composed of one member from each township and three at-large members.

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

**B. Accounting Basis**

These financial statements follow the accounting basis 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 Deposits**

The Township's accounting basis includes cash as assets. All Township funds are deposited into a checking account at a local commercial bank.

**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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Fund:

**JACKSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

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

**3. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**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, program or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2010 and 2009 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  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**2. Equity in Pooled Cash and Deposits**

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

	2010	2009
Demand deposits	\$132,752	\$120,416
Certificates of deposit	525	525
<b>Total Deposits</b>	<b>133,277</b>	<b>120,941</b>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,636	\$33,912	\$6,276
Special Revenue	159,430	192,271	32,841
Total	\$187,066	\$226,183	\$39,117

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,260	\$30,920	\$9,340
Special Revenue	267,067	182,940	84,127
Total	\$307,327	\$213,860	\$93,467

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,179	\$31,456	\$3,277
Special Revenue	167,793	154,941	(12,852)
Total	\$195,972	\$186,397	(\$9,575)

**JACKSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity (Continued)**

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,633	\$32,497	\$8,136
Special Revenue	252,908	131,208	121,700
Permanent	670	0	670
Total	\$294,211	\$163,705	\$130,506

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax 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. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

**6. 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.

**JACKSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. Risk Management (Continued)**

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$.5 and \$10.9 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$4,434.

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

**JACKSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. Risk Management (Continued)**

<b><u>Contributions to OTARMA</u></b>	
<b><u>2010</u></b>	<b><u>2009</u></b>
\$4,434	\$3,559

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

**7. Compliance**

The Township failed to maintain documentation for monies received from the Belfast Community Center as required by Ohio Revised Code, Section 149.351(A).

The Township did not follow bidding procedures related to the purchase of a truck





# Dave Yost • Auditor of State

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

Jackson Township  
Highland County  
3199 Pleasant Road  
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the financial statements of Jackson Township, Highland County, Ohio (the Township), as of and for the year ended December 31, 2010 and 2009, and have issued our report thereon dated September 12, 2011, wherein we noted we were unable to obtain sufficient evidence to support the completeness of the Special Revenue miscellaneous receipts in 2010 and 2009. We also note the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted 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. 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(A) mandates the Auditor of State to audit Ohio governments. Except as noted, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001 through 2010-003 described in the accompanying schedule of findings to be material weaknesses.

### 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 through 2010-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 12, 2011.

We intend this report solely for the information and use of management, the Board of Trustees and others within the Township. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

September 12, 2011

**JACKSON TOWNSHIP  
HIGHLAND COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FISCAL YEAR ENDED DECEMBER 31, 2010 AND 2009**

**FINDING NUMBER 2010-001**

**Material Noncompliance/Material Weakness**

**Ohio Administrative Code Section 117-2-02(A)** provides that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analysis, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Township did not post the following transactions to the proper fund type or account codes, and therefore, they were reported in an incorrect fund type or account classification, by material amounts, on the financial statements:

<b>Year</b>	<b>Item</b>	<b>Amount</b>	<b>Proper Fund / Classification</b>	<b>Fund / Classification Reported</b>
2009	Fire Levy Fund expenditures	\$17,230	Fire Levy Fund / Public Safety	Fire Levy Fund / General Government
2010	Fire Levy Fund expenditures	17,581	Fire Levy Fund / Public Safety	Fire Levy Fund / General Government
2010	Health insurance reimbursement paid from Belfast School Fund in error instead of the fund from which payroll was paid	1,835	Gasoline Tax Fund / Public Safety	Belfast School Fund / General Government
2010	OTARMA property and liability insurance only paid from the Road and Bridge Fund	1,477	General Fund / General Government	Road and Bridge Fund / Public Works

In addition to the errors noted above, the Township did not post the following transactions to the accounting records, and therefore receipts and disbursements were understated, by material amounts, on the financial statements.

<b>Item</b>	<b>Amount</b>	<b>Proper Classification</b>
<b>2009</b>		
<b>General Fund</b>		
Taxes	\$2,586	Taxes
Health Department Inside Millage	2,586	Health
<b>2010</b>		
<b>General Fund</b>		
Taxes	\$2,669	Taxes
Health Department Inside Millage	2,669	Health

**FINDING NUMBER 2010-001  
(Continued)**

Failure to properly post transactions: 1) resulted in inaccurate financial statements, 2) reduces the accountability over Township funds, 3) reduces the Board's ability to monitor financial activity and make informed financial decisions. We recommend that the fiscal officer review the chart of accounts to assure that items are being posted to the proper funds and account codes.

We also recommend that the Fiscal Officer review the township manual and post transactions in accordance with the chart of accounts provided in the township manual. The Township Officials agreed to reclassifications and adjustments to correctly report the above items, and the corrections were posted to the accompanying financial statements and, where applicable, to the Township's accounting records.

**Officials' Response:**

We did not receive a response from officials.

**FINDING NUMBER 2010-002**

**Material Noncompliance/Material Weakness**

**Ohio Revised Code, Section 149.351(A)**, provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code. During the audit period, the Township did not provide complete documentation of the following items:

- Duplicate receipts and/or supporting documentation for monies received from the Belfast Community Center (Special Revenue Fund – 2902)

The Township could not provide sufficient documentation supporting miscellaneous receipts. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts recorded in the financial statements or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. The undocumented miscellaneous receipts represent 9% (\$14,360) of the total Special Revenue Fund's operating receipts in 2009, and 5% (7,521) of the total Special Revenue Fund's operating receipts in 2010 recorded on the financial statements.

When designing a public office's system of internal control and the specific control activities, management should consider:

- Ensuring that all transactions are properly authorized in accordance with management's policies;
- Ensuring that account records are properly designed; and
- Verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records.

The Township has not established internal control procedures over miscellaneous receipts. Proper supporting documentation was not maintained for receipts for rentals from the community building and for receipts from the not-for-profit corporation that raises funds to maintain the community center building. Failure to maintain appropriate accounting records may adversely affect the decisions of management and could result in inaccurate financial reporting. We recommend the following:

- The Trustees should set rental rates in the minute records and control the rental of spaces in the community building.

**FINDING NUMBER 2010-002  
(Continued)**

- Written rental contracts should be developed and used for rental of the Community Center.
- The Fiscal Officer should issue a pre-numbered duplicate receipt for the payment of any rent and all duplicate receipt numbers should be accounted for. The Fiscal Officer should post these receipts to the account code for Rents and Leases.
- All activities of the not-for-profit corporation should be kept separate from Township activities. If the not-for-profit does any fund raising activities for the building that they wish to donate to the Township, they should issue a check to the Township and write "Donation" on the memo line. The Fiscal Officer should issue a receipt to the committee and post these receipts to the account code for Donations.

**Officials' Response:**

We did not receive a response from officials.

**FINDING NUMBER 2010-003**

**Material Noncompliance/Material Weakness**

**Ohio Revised Code, Section 5549.21**, provides, in part, that the board of township trustees may purchase machinery necessary for use in construction, reconstruction, maintaining, and repairing roads and culverts within the township and that all purchases shall, if the amount involved exceeds twenty-five thousand dollars, be made from the lowest responsible bidder after advertisement for bids.

**Ohio Revised Code, Section 505.262(A)**, states that the Board of Township Trustees of any township, by unanimous vote, may adopt a resolution allowing the Township to contract for the purchase of equipment, buildings, and sites, or for the construction of buildings, for any lawful township purpose. The Board may issue, by resolution adopted by unanimous vote, securities of the Township to finance purchases and construction made pursuant to this division. The securities shall be signed by the board and attested by the signature of the township fiscal officer, and the maximum maturity of those securities is subject to the limitation in section 133.20 of the revised code. The securities shall bear interest not to exceed the rate determined as provided in section 9.95 of the revised code and shall not be subject to chapter 133 of the revised code. The resolution authorizing the issuance of the securities shall provide for levying and collecting annually by taxation, amounts sufficient to pay the interest on and principal of the securities. The securities may contain a clause permitting prepayments at the option of the board. Securities shall be offered for sale on the open market or given to the vendor or contractor if no sale is made.

**Ohio Revised Code, Section 505.262(B)**, states no purchase or construction pursuant to division (A) of this section shall be undertaken unless the county auditor certifies that, if the purchase or construction is undertaken, the debt service charge for the purchase of construction on the first year, together with the debt service charge for that same year for any other purchase or construction already undertaken pursuant to division (A) of this section, does not exceed one-tenth of the township's total revenue from all sources. If the county auditor so certifies, in every year of the debt after the first year, the county budget commission shall include a debt charge in the township's annual tax budget submitted pursuant to section 5705.01 to 5704.47 of the Revised Code sufficient to meet the annual debt incurred pursuant to division (A) of this section, if the debt charge is omitted from the budget.

Furthermore pursuant to Ohio Attorney General Opinion 2000-019, townships do not have the authority to purchase road equipment by installment payments.

**FINDING NUMBER 2010-003  
 (Continued)**

On November 16, 2010, the Township purchased a truck for use on the roads that exceeded \$25,000 and bidding procedures were not followed.

Additionally, On December 3, 2010, the Township entered into a promissory note with Merchants National Bank for the purchase of a truck in the amount of \$42,972. This note is to be paid in annual installments over 5 years in violation of the requirements above. In addition, the Township did not perform the following for this debt:

- 1) The resolution passed by the Board in the minutes of November 8, 2010 only stated that they approved to purchase a truck and to finance the purchase through Merchants National Bank. The resolutions did not include the statement that the issuance of the securities shall provide for levying and collecting annually by taxation, amounts sufficient to pay the interest on and principal of the securities.
- 2) Obtain certification from the County Auditor that, if the purchase is undertaken, the debt service charge for the purchase in the first year, together with the debt service charge for that same year for any other purchase or construction already undertaken pursuant to division (A) of this section, does not exceed one-tenth of the Township's total revenue from all sources.
- 3) Since no certification was received from the County Auditor, the county budget commission did not include a debt charge in the Township's annual tax budget submitted pursuant to section 5705.01 to 5704.47 of the revised code sufficient to meet the annual debt incurred pursuant to division (A) of this section, if the debt charge is omitted from the budget.

In addition, the Township did not record following transaction to record the receipt of proceeds or the expenditure in the amount of \$42,972 for the purchased truck in their accounting records.

Item	Amount	Proper Classification
<b>2010 Gas Tax Fund</b>		
Proceeds of Promissory Note	\$42,972	Proceeds of Note
Purchase of Truck	42,972	Capital Outlay

An audit adjustment was posted to the financial statements to properly reflect the receipt of the proceeds and the capital outlay expenditure in the Gas fund for the purchase of the equipment.

Failure to following bidding procedures as required could result in excess spending. The Township should review the laws and properly bid out large purchases. Failure to follow debt issuance requirements and failure to properly post debt transactions to the Township's accounting records could result in a material misstatement to the financial statements. We recommend that the Township consult with their legal counsel on how to correct these debt agreements and consult with their legal counsel or hire bond counsel if their legal counsel deems it necessary before entering into any future debt agreements. We also recommend that the Fiscal Officer review the township manual and post transactions in accordance with the chart of accounts provided in the township manual.

**Officials' Response:**

We did not receive a response from officials.

**FINDING NUMBER 2010-004**

**Material Noncompliance Finding for Recovery Repaid Under Audit**

**Per Ohio Rev. Code, Section 505.601**, where a board of township trustees does not procure an insurance policy or group health care services as provided in Ohio Rev. Code section 505.60, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for only those insurance benefits listed in division (A) of Ohio rev. Code section 505.60. To provide the reimbursement, the board of township trustees shall adopt a resolution that states that the township has chosen not to procure a health care plan and has chosen instead to reimburse its officers and employees for each out-of-pocket premium. The resolution shall provide for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the township will not reimburse the officer or employee. The resolution shall list only those specific benefits for which the township will reimburse all officers and employees of the township.

Chad Frazer, Trustee secured health, dental, and vision insurance and submitted all payments directly to the insurance company during 2009 and 2010. Payments made by Mr. Frazer for health, dental and vision insurance coverage totaled \$2,014 in 2009 and \$3,477 in 2010.

Mr. Frazer received monthly reimbursements from Jackson Township totaling \$2,456 in 2009 and \$3,824 in 2010. Payments in 2009 and 2010 were made as 11% paid from the General Fund and 89% paid from the Gas Tax Fund.

Overpayments are detailed in the table below:

<b>Year</b>	<b>Amount Paid for Insurance by Chad Frazer</b>	<b>Reimbursements made by Township to Chad Frazer</b>	<b>Overpayment</b>
2009	\$2,014	\$2,456	\$442
2010	3,477	3,824	347
<b><u>Total Overpayment</u></b>			<b><u>\$789</u></b>

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Chad Frazer, Trustee and his bonding company, Ohio Township Association Risk Management Authority, in the amount of \$789 and in favor of Jackson Township's General fund in the amount of \$86 and in favor of the Gas Tax Fund in the amount of \$703.

On June 24, 2011, Chad Frazer issued a check to Jackson Township for \$789 as repayment. This finding for recovery is considered repaid under audit.

**Officials' Response:**

We did not receive a response from officials

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**JACKSON TOWNSHIP  
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR ENDED DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Ohio Revised Code Section 149.351(A)	No	Repeated as 2010-002
2008-002	Ohio Revised Code Section 5575.01 – failure to follow bidding procedures.	No	Repeated as 2010-003

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# Dave Yost • Auditor of State

JACKSON TOWNSHIP

HIGHLAND 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 11, 2011