



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, 2011 .....	5
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> .....	15
Schedule of Findings .....	17
Schedule of Prior Audit Findings .....	21

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# Dave Yost • Auditor of State

Jackson Township  
Highland County  
1873 State Route 73  
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

July 9, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Jackson Township  
Highland County  
1873 State Route 73  
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 year ended December 31, 2011. 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 Government 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 3.8% of the Special Revenue Fund Type operating receipts in 2011, nor were we able to satisfy ourselves by other auditing procedures. Because of the lack of evidence there is a risk that some Belfast Community Center Fund monies received were not deposited or recorded as receipts. We cannot reasonably determine the amount at this time.

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 year ended December 31, 2011 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, 2011, or its changes in financial position for the year then ended.

Also, in our opinion, except of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the Miscellaneous Receipts reported in the Special Revenue Fund Type, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Jackson Township, Highland County, Ohio, as of December 31, 2011, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

As described in Note 12, during 2011 Jackson Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2012, 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

July 9, 2012



**JACKSON TOWNSHIP  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$21,675	\$33,795		\$55,470
Intergovernmental	63,035	109,743		172,778
Earnings on Investments	2		13	15
Miscellaneous	789	5,639		6,428
<i>Total Cash Receipts</i>	<u>85,501</u>	<u>149,177</u>	<u>13</u>	<u>234,691</u>
<b>Cash Disbursements</b>				
Current:				
General Government	32,105	35,625		67,730
Public Works		115,103		115,103
Capital Outlay	160			160
Debt Service:				
Principal Retirement		10,000		10,000
Interest and Fiscal Charges		50		50
<i>Total Cash Disbursements</i>	<u>32,265</u>	<u>160,778</u>	<u>0</u>	<u>193,043</u>
<i>Net Change in Fund Cash Balances</i>	53,236	(11,601)	13	41,648
<i>Fund Cash Balances, January 1</i>	<u>14,406</u>	<u>118,179</u>	<u>692</u>	<u>133,277</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	692	692
Restricted	0	105,000	13	105,013
Committed	0	1,578	0	1,578
Unassigned (Deficit)	67,642	0	0	67,642
<i>Fund Cash Balances, December 31</i>	<u>\$67,642</u>	<u>\$106,578</u>	<u>\$705</u>	<u>\$174,925</u>

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

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**JACKSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**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 the 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 providing for the health and welfare of the people primarily of Highland County. Trustees from each of the 17 townships of Highland County constitute the Highland County Joint Township Hospital Board of Trustees who appoints the Hospital Board of Governors which is comprised 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 Funds:

**JACKSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

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

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

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

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2011 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**JACKSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

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

**1. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. 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, 2011  
(Continued)**

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

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

Demand deposits	\$174,400
Certificates of deposit	<u>525</u>
Total deposits	<u>174,925</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. Budgetary Activity**

Budgetary activity for the year ending December 31, 2011 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,787	\$85,501	\$57,714
Special Revenue	<u>163,453</u>	<u>149,176</u>	<u>(14,277)</u>
Total	<u>\$191,240</u>	<u>\$234,677</u>	<u>\$43,437</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,881	\$32,265	\$12,616
Special Revenue	<u>278,944</u>	<u>160,778</u>	<u>118,166</u>
Total	<u>\$323,825</u>	<u>\$193,043</u>	<u>\$130,782</u>

**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.

**JACKSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**5. Debt**

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Commercial Promissory Note	\$35,178	4.85%

The Township obtained a Commercial Promissory Note from Merchants National Bank to finance the purchase of a dump truck for Township road maintenance. Proceeds of the note were paid directly from the bank to the vendor for the purchase of the dump truck. The terms of the Note are 4.85% interest with annual payments due December 1 of each year beginning with the December 1, 2011 payment. Payments are \$9,900.12 each year, although the Township made a \$10,000 principal payment in 2011.

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

	Commercial Promissory Note
Year ending December 31:	
2012	\$9,900
2013	9,900
2014	9,900
2015	9,900
Total	\$39,600

**6. 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 plan's benefits, which include post retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011, 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, 2011.

**7. Risk Management**

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

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

**JACKSON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**7. 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 (the latest information available):

	<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 \$9.5 and \$11.5 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, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

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, 2011  
(Continued)**

**7. Risk Management (Continued)**

<u>Contributions to OTARMA</u>
<u>2011</u>
\$6,222.00

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.

**8. Contingent Liabilities**

The Township is defendant in a lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

**9. Compliance**

The Township failed to maintain documentation for monies received from the Belfast Community Center as required by the Ohio Revised Code, Section 149.351(A). The Township did not file appropriations with the County Auditor as required by Ohio Revised Code, Section 5705.39. Additionally appropriations in the Gas and Belfast Community Buildings exceeded available resources in violation of Ohio Revised Code, Section 5705.36(A).

**10. Change in Accounting Principle**

For fiscal year 2011, the Township began reporting fund balances as required by the revised fund classification guidance in Governmental Accounting Standards Board (GASB) Statement No. 54.

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# 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  
1873 State Route 73  
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, 2011, and have issued our report thereon dated July 9, 2012 wherein we noted we were unable to obtain sufficient evidence to support the completeness of the Special Revenue Miscellaneous receipts. We also noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and that the Township adopted Governmental Accounting Standards Board Statement Number 54. We also noted 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 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

### **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 2011-001 through 2011-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 9, 2012.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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



**Dave Yost**  
Auditor of State

July 9, 2012

**JACKSON TOWNSHIP  
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Documentation For Miscellaneous Receipts for Township Community Building**

**FINDING NUMBER 2011-001**

NONCOMPLIANCE AND 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 retain duplicate receipts or supporting documentation for monies received from the Belfast Community Center (Special Revenue Fund - 2902).

Because the Township could not provide sufficient documentation supporting miscellaneous receipts, we were unable to obtain sufficient information regarding the completeness of receipts recorded in the financial statements or to satisfy ourselves regarding the completeness of the underlying transactions through other auditing procedures. The undocumented miscellaneous receipts represent 3.8% (\$5,639) of the total Special Revenue Fund's operating receipts in 2011 recorded on the financial statements. Because of the lack of evidence, there is a risk that some Belfast Community Center Fund monies received were not deposited or recorded as receipts. We cannot reasonable determine the amount at this time.

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, could result in uncollected revenue and inaccurate financial reporting, and increases the risk that errors, theft or fraud may occur and not be detected in a timely manner. We recommend the following:

- The Trustees should set rental rates in the minute records and control the rental of spaces in the community building.
- Written rental contracts should be developed and used for rental of the Community Center.
- The Fiscal Officer should issue pre-numbered duplicate receipts 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.

**FINDING NUMBER 2011-001  
 (Continued)**

- 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:**

The Township Trustees voted to close the Community Building by the end of fiscal year 2011. Therefore no funds are being received by the Township from rental of the building in fiscal year 2012. The New Fiscal Officer shall ensure that all monetary receipts into Township Funds are properly documented and deposited.

**Estimated Receipts**

**FINDING NUMBER 2011-002**

NONCOMPLIANCE

**Ohio Revised Code, § 5705.36(A)**, provides in part that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Actual receipts were less than estimated receipts and the deficiency reduced available resources below the level of current appropriations in the following funds:

Fund	Available Resources (Beginning Fund Balance Plus Actual Receipts)	Appropriations	Variance
Gas	\$129,164	\$138,844	(\$9,680)
Belfast Community Building	10,782	19,274	(8,492)

Over estimating receipts could result in spending more funds than received. When it is determined receipts are going to be less than originally estimated, an amended certificate should be obtained and appropriations reduced, if necessary.

**Officials' Response:**

The new Fiscal Officer shall certify the amount of any deficiency in available resources to the Budget Commission, beginning in fiscal year 2012 and moving forward into subsequent fiscal years.

**Does Not Exceed Certificate**

**FINDING NUMBER 2011-003**

NONCOMPLIANCE

**Ohio Revised Code, 5705.39**, states that, the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Appropriations shall be made from each fund only for the purposes for which such fund is established.

During 2011, the Township did not file their annual appropriation resolution with the County Auditor's office. Therefore, the County Auditor did not provide an official certification that appropriations did not exceed estimated resources. Since this certification was not obtained, the Township's appropriation measure should not be deemed effective for 2011.

We recommend that the Township take due care to ensure that appropriations are filed with the County Auditor and that the Does Not Exceed Certificate is obtained to document that the appropriations are effective for the year.

**Officials' Response:**

The new Fiscal Officer, effective April 1, 2012, shall take due care to ensure that appropriations are filed with the County Auditor and that the Does Not Exceed Certificate is obtained to document that the appropriations are effective for the year.

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**JACKSON TOWNSHIP  
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011**

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>
2010-001	OAC 117-2(A)	Yes	
2010-002	ORC 149.351(A)	No	Repeated as Finding 2011-001
2010-003	ORC 5549.21	No	Finding no longer valid, Township still has the loan from the bank. Finding issued in the year the loan was made.
2010-004	ORC 505.601	Yes	

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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  
JULY 31, 2012