



**JACKSON TOWNSHIP  
BROWN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000-1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



JACKSON TOWNSHIP  
BROWN COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2000 .....	3
Combined State of Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 1999 .....	4
Notes to the Financial Statements .....	5
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings .....	13

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## INDEPENDENT ACCOUNTANTS' REPORT

Jackson Township  
Brown County  
8592 Ash Ridge-Winchester Road  
Winchester, Ohio 45697

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Township as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2001, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of our audit performed in accordance with the *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

June 15, 2001

**JACKSON TOWNSHIP  
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Local Taxes	\$27,412		\$27,412
Intergovernmental	30,651	59,895	90,546
Earnings on Investments	1,784	2,968	4,752
Other Revenue	9	3,500	3,509
 Total Cash Receipts	 59,856	 66,363	 126,219
<b>Cash Disbursements:</b>			
Current:			
General Government	44,446		44,446
Public Safety	7,450		7,450
Public Works	260	45,962	46,222
Health	3,425	3,602	7,027
Capital Outlay	17,578	12,000	29,578
 Total Cash Disbursements	 73,159	 61,564	 134,723
 Total Receipts Over/(Under) Disbursements	 (13,303)	 4,799	 (8,504)
 Fund Cash Balances, January 1	 45,315	 61,421	 106,736
 <b>Fund Cash Balances, December 31</b>	 <b>\$32,012</b>	 <b>\$66,220</b>	 <b>\$98,232</b>
 Reserve for Encumbrances, December 31	 \$3,794	 \$0	 \$3,794

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

**JACKSON TOWNSHIP  
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Local Taxes	\$26,218		\$26,218
Intergovernmental	34,096	62,698	96,794
Earnings on Investments	1,509	1,906	3,415
Other Revenue		450	450
	<u>61,823</u>	<u>65,054</u>	<u>126,877</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	26,498		26,498
Public Safety	7,450		7,450
Public Works	5,310	43,235	48,545
Health	2,650	3,350	6,000
Capital Outlay	7,500		7,500
	<u>49,408</u>	<u>46,585</u>	<u>95,993</u>
Total Receipts Over/(Under) Disbursements	<u>12,415</u>	<u>18,469</u>	<u>30,884</u>
Fund Cash Balances, January 1	<u>32,900</u>	<u>42,952</u>	<u>75,852</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$45,315</u></u></b>	<b><u><u>\$61,421</u></u></b>	<b><u><u>\$106,736</u></u></b>

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



**JACKSON TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Jackson Township, Brown County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Villages of Russellville, Sardinia and Winchester to provide fire services and ambulance services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash Deposits**

Township funds are deposited in a checking account and certificate of deposit with local commercial banks. The Township pools its cash to capture the highest rate of return. Interest earnings are distributed to Township funds based upon the Ohio Constitution. Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**JACKSON TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

Contrary to Ohio law, the Township certified incorrect amounts available for expenditures in the General Fund to the County Auditor for January 1, 2001.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated. The Township did not encumber certain commitments required by Ohio law. However, a review was performed to determine the amount of additional encumbrances outstanding at year-end which were not recorded. These additional encumbrances were added to the financial statements as reserves.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**JACKSON TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**2. EQUITY IN POOLED CASH DEPOSITS**

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

	<u>2000</u>	<u>1999</u>
Demand Deposits	\$21,232	\$26,736
Certificates of Deposit	<u>\$77,000</u>	<u>\$80,000</u>
Total deposits	<u><u>\$98,232</u></u>	<u><u>\$106,736</u></u>

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,800	\$59,856	(\$5,944)
Special Revenue	<u>70,000</u>	<u>66,363</u>	<u>(3,637)</u>
Total	<u><u>\$135,800</u></u>	<u><u>\$126,219</u></u>	<u><u>(\$9,581)</u></u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$112,700	76,953	\$35,747
Special Revenue	<u>129,530</u>	<u>61,564</u>	<u>67,966</u>
Total	<u><u>\$242,230</u></u>	<u><u>\$138,517</u></u>	<u><u>\$103,713</u></u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,000	\$61,823	\$4,823
Special Revenue	<u>70,000</u>	<u>65,054</u>	<u>(4,946)</u>
Total	<u><u>\$127,000</u></u>	<u><u>\$126,877</u></u>	<u><u>(\$123)</u></u>

**JACKSON TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**3. BUDGETARY ACTIVITY (continued)**

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,900	\$49,408	\$40,492
Special Revenue	112,860	46,585	66,275
Total	\$202,760	\$95,993	\$106,767

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 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 as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**5. RETIREMENT SYSTEMS**

The Township's officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries in 1999 and an amount equal to 10.84% in 2000.

**6. RISK MANAGEMENT**

The Township has comprehensive business liability insurance coverage with a private insurance company. The following risks are covered by the policy:

- Comprehensive property and general liability
- Vehicles

**JACKSON TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**7. CONTINGENT LIABILITIES**

On April 10, 2001, the Public Employees Retirement System (PERS) informed the Township that delinquent contributions were due on an employee of the Township. Since the employee contributions were not withheld by the employer, the Township is responsible for paying both employee and employer shares, along with the related interest. The maximum amount of PERS contributions and interest the Township will have to pay is \$6,225.

**8. COMPLIANCE**

Ohio law requires that contracts for maintenance and repair of Township roads be let by competitive bid when the amount of the repair on maintenance exceeds \$15,000. The Township paid for maintenance and repair of Township roads in amounts which exceeded \$15,000 without competitive bidding.

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Jackson Township  
Brown County  
8592 Ash Ridge-Winchester Road  
Winchester, Ohio 45697

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Brown County Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 15, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-40408-001 and 2000-40408-002. We also noted immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated June 15, 2001.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-40408-002.

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

Jackson Township  
Brown County  
Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
Page 2

We also noted other matters involving the internal control structure over financial reporting that do not require inclusion in this report that we have reported to the management of the Township in a separate letter dated June 15, 2001.

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

**Jim Petro**  
Auditor of State

June 15, 2001



**JACKSON TOWNSHIP  
BROWN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999**

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

**FINDING NUMBER 2000-40408-001**

**Material Noncompliance - Bidding**

Ohio Rev. Code, Section 5575.01, requires that when the Trustees proceed by contract for the maintenance or repair of Township roads, the contract shall, if the amount involved exceeds \$15,000, be let by the board to the lowest responsible bidder after advertisement for bids once, not later than two weeks prior to the date fixed for the letting of such contract, in a newspaper published in the county and of general circulation within the township, but if there is no such paper published in the county, then in one having general circulation in the township.

During 2000, the Township paid \$15,631 to Brown County Asphalt for maintenance and repair of Township roads. This amount exceeded the \$15,000 Township required bid limit and the Township failed to advertise these road projects for the lowest and best competitive bidding, before approving a contractor to perform the work.

We recommend the Township follow competitive bidding procedures on all road maintenance and repair projects which exceed \$15,000.

**FINDING NUMBER 2000-40408-002**

**Material Noncompliance/Reportable Condition**

Ohio Rev. Code, Section 5705.41(D), provides that a subdivision or taxing unit shall not make any contract or order involving the disbursement of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment. This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of previous encumbrances, the Township Trustees may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate; and,
- B. If the amount involved is less than \$1,000, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Township Trustees if such expenditure is otherwise valid.

Prior certification was not obtained for 27% of vouchers reviewed in 2000 and 54% of the vouchers reviewed in 1999, and none of the exceptions provided for above were used. This was the result of the Township not encumbering prior to the purchase with a purchase order, using blanket purchase orders not certified by the Clerk and blanket purchase orders that were in effect for more than three months and/or over \$5,000. This also resulted in the Township having material unrecorded encumbrances at December 31, 2000 in the General Fund. The financial statements have been adjusted to properly reflect these encumbrances. We recommend purchase orders be issued in advance of the purchase to certify the funds are available and to properly use blanket purchase orders to encumber funds.

**FINDING NUMBER 2000-40408-002 (continued)**

Furthermore, Ohio Rev. Code, Section 5705.36, requires the fiscal officer to certify to the County Auditor on or about January 1 the amount available for expenditures in each fund in the budget, with year-end balances. Due to not certifying all year-end commitments, incorrect amounts were certified to the County Auditor for January 1, 2001.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**JACKSON TOWNSHIP**

**BROWN 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 12, 2001**