



Dave Yost • Auditor of State

JACKSON TOWNSHIP
HIGHLAND COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Jackson Township
Highland County
1873 State Route 73
Hillsboro, Ohio 45133

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Jackson Township, Highland County, (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Jackson Township, Highland County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

May 11, 2015

**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, 2013**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$21,309	\$14,690		\$35,999
Fines and Forfeitures		925		925
Intergovernmental	31,976	141,470		173,446
Earnings on Investments			3	3
Miscellaneous	1,320	1,226		2,546
<i>Total Cash Receipts</i>	<u>54,605</u>	<u>158,311</u>	<u>3</u>	<u>212,919</u>
Cash Disbursements				
Current:				
General Government	29,606	650		30,256
Public Safety		26,945		26,945
Public Works		45,874		45,874
Health	3,277		200	3,477
Capital Outlay		96,030		96,030
Debt Service:				
Principal Retirement		8,575		8,575
Interest and Fiscal Charges		1,325		1,325
<i>Total Cash Disbursements</i>	<u>32,883</u>	<u>179,399</u>	<u>200</u>	<u>212,482</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>21,722</u>	<u>(21,088)</u>	<u>(197)</u>	<u>437</u>
Other Financing Receipts				
Sale of Capital Assets		1,000		1,000
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>1,000</u>	<u>0</u>	<u>1,000</u>
<i>Net Change in Fund Cash Balances</i>	21,722	(20,088)	(197)	1,437
<i>Fund Cash Balances, January 1</i>	<u>35,197</u>	<u>76,643</u>	<u>700</u>	<u>112,540</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	500	500
Restricted	0	56,555	3	56,558
Unassigned (Deficit)	56,919	0	0	56,919
<i>Fund Cash Balances, December 31</i>	<u>\$56,919</u>	<u>\$56,555</u>	<u>\$503</u>	<u>\$113,977</u>

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

**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, 2012**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$22,017	\$33,713		\$55,730
Intergovernmental	6,001	101,056		107,057
Earnings on Investments			20	20
Miscellaneous	353	422		775
<i>Total Cash Receipts</i>	<u>28,371</u>	<u>135,191</u>	<u>20</u>	<u>163,582</u>
Cash Disbursements				
Current:				
General Government	57,019	5,662		62,681
Public Safety		24,068		24,068
Public Works		39,391		39,391
Health	4,077			4,077
Capital Outlay		86,284		86,284
Debt Service:				
Principal Retirement		8,244		8,244
Interest and Fiscal Charges		1,656		1,656
<i>Total Cash Disbursements</i>	<u>61,096</u>	<u>165,305</u>	<u>0</u>	<u>226,401</u>
<i>Net Change in Fund Cash Balances</i>	(32,725)	(30,114)	20	(62,819)
<i>Fund Cash Balances, January 1 - Restated - See Note 9</i>	<u>67,922</u>	<u>106,757</u>	<u>680</u>	<u>175,359</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	500	500
Restricted	0	76,643	200	76,843
Assigned	26,014	0	0	26,014
Unassigned (Deficit)	9,183	0	0	9,183
<i>Fund Cash Balances, December 31</i>	<u>\$35,197</u>	<u>\$76,643</u>	<u>\$700</u>	<u>\$112,540</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, 2013 AND 2012**

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, (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 Paint Creek Joint EMS/Fire District to provide fire services and emergency medical services.

The Township is part of the Highland County Joint Township Hospital District and the Paint Creek Joint EMS/Fire District. Note 8 to the financial statements provides additional information for these entities.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits

The Township's accounting basis includes cash as assets.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

3. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). 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. 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 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 2013 and 2012 budgetary activity appears in Note 3.

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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:

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.

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

2. Equity in Pooled Deposits

The Township maintains a deposit 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:

	2013	2012
Demand deposits	\$113,477	\$112,040
Certificates of deposit	500	500
Total deposits	113,977	112,540

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,836	\$54,605	\$27,769
Special Revenue	132,901	159,311	26,410
Permanent	3	3	0
Total	\$159,740	\$213,919	\$54,179

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,850	\$34,069	\$18,781
Special Revenue	173,063	179,992	(6,929)
Permanent	200	200	0
Total	\$226,113	\$214,261	\$11,852

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,916	\$28,371	\$455
Special Revenue	164,970	135,191	(29,779)
Permanent	0	20	20
Total	\$192,886	\$163,582	(\$29,304)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$95,557	\$61,096	\$34,461
Special Revenue	269,748	165,305	104,443
Permanent	0	0	0
Total	\$365,305	\$226,401	\$138,904

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Motor Vehicle License Tax Fund by \$26,171 for the year ended December 31, 2013. Also contrary to Ohio law, at December 31, 2012, appropriations exceeded actual resources in the Motor Vehicle License Tax Fund and Gasoline Tax Fund by \$1,136 and \$13,522, respectively.

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.

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

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Commercial Promissory Note	\$18,436	4.85%

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Debt (Continued)

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:

Year ending December 31:	Promissory Note
2014	<u>\$9,900</u>
2015	<u>9,900</u>
Total	<u><u>\$19,800</u></u>

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

7. Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management (Continued)

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 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, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$7,830.

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.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$4,099	\$4,112

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management (Continued)

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. Jointly Governed Organizations

The Highland County Joint Hospital District is 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 of Highland County constitute the Highland County Joint Township Hospital Board of Trustees who appoints a Hospital Board of Governors which is composed of one member from each township and three at-large members.

The Paint Creek Joint EMS/Fire District is a jointly governed organization that provides fire protection and ambulance services to residents within the District and by mutual aid agreement to areas outside the District. The Paint Creek Joint EMS/Fire District is governed by a nine-member Board which is composed of one representative from each subdivision within the District. Those subdivisions are the City of Greenfield and Paint, New Market, Liberty, Washington, Jackson and Madison Townships in Highland County and Buckskin and Paint Townships in Ross County.

9. Restatement of Balances

The January 1, 2012 balances were restated for the General and Special Revenue Funds due to outstanding checks written in prior years that were voided during 2012 and restated for the Permanent Fund due to interest on certificate of deposit having been included twice.

Fund Type	December 31, 2011 Audited Balance	January 1, 2012 Restated Balance	Restatement Amount
General	\$67,642	\$67,922	\$280
Special Revenue	106,578	106,757	179
Permanent	705	680	(25)
Total	<u>\$174,925</u>	<u>\$175,359</u>	<u>\$434</u>

10. Subsequent Events

On July 14, 2014, the Board approved Richard Reed's bid of \$29,296 for the Chip and Seal Program which consisted of the chip and seal of three roads within the Township.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Jackson Township, Highland County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated May 11, 2015 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2013-003 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, opining 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 2013-001 and 2013-002.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

May 11, 2015

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Noncompliance Citation

Ohio Rev. 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 at December 31, 2012 in the following funds:

	Actual Resources	Appropriations	Variance
Motor Vehicle License Tax Fund	\$ 22,197	\$ 23,333	\$ (1,136)
Gasoline Tax Fund	\$ 117,127	\$ 130,649	\$ (13,522)

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.

We recommend the Township obtain an amended certificate of estimated resources when expected receipts are going to be less than originally estimated, and reduce appropriations as necessary.

Officials' Response:

In conducting the business of Jackson Township throughout the year, the Fiscal Officer monitors the revenues and expenditures made by the governing body of Trustees to ensure that expenditures do not exceed available resources, and issues regular reports to the Trustees. The Fiscal Officer is committed to add any additional safeguards needed to prevent over-spending in any of the Township funds and, in the future will request an amended certificate from the county auditor concerning changes in revenues that impact appropriations. In monitoring the relationship between actual receipts and amounts available for appropriations, the Fiscal Officer shall request of the Trustees adjustments in appropriations as needed, which will then be reported to the county auditor.

FINDING NUMBER 2013-002

Noncompliance Citation

Ohio Rev. Code, § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it is appropriated.

At December 31, 2013, expenditures exceeded appropriations as follows:

	Appropriations	Expenditures	Variance
Motor Vehicle License Tax Fund	\$ 18,000	\$ 44,171	\$ (26,171)

**FINDING NUMBER 2013-002
(Continued)**

This could result in overspending if not properly monitored.

We recommend the Fiscal Officer not approve expenditures unless monies have been appropriated by the Board of Trustees and filed with the County Auditor.

Officials' Response:

The Board of Trustees and Fiscal Officer of Jackson Township have applied for grants to assist in improving the surface of Township roads when the residents served meet the qualifications of the grant. In 2012, the Township applied for a CDBG paving project which was approved that year and completed in 2013 by the Highland County Commissioners and the Highland County Engineer after approval by the state of Ohio. As the bid for the project came in lower than anticipated, the only monies actually expended toward the project by the Township was \$606 for repair of the road bed prior to paving. That expenditure was posted to the township's Motor Vehicle License Tax Fund and was within the amount appropriated for the project by the Board of Trustees. However, the full value of the county's grant utilized on behalf of the Township was not reported as a receipt to and expenditures from the township's Motor Vehicle License Tax Fund, and the on-behalf-of expenditures were also not appropriated. The full value of any future grants for which the Township applies, and another governmental agency completes on behalf of the Township, will be appropriated by the township's Board of Trustees and reported by the Fiscal Officer in the financial records of the Township as a memo receipt in the appropriate fund as described in AOS Bulletin 2000-008.

FINDING NUMBER 2013-003

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statement.

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statement is complete and accurate.

The Township misclassified and misposted various revenues and expenditures to the annual financial report submitted to the Auditor of State for fiscal years 2013 and 2012. These misstatements had the following effect on the Township's financial statement:

On the December 31, 2013 Financial Statement:

- Miscellaneous Receipts totaling \$629 in the General Fund should have been posted as a reduction of expenditures in General Government.
- Paving and chip and seal contract payments were posted as Public Works instead of Capital Outlay in the Motor Vehicle License Tax Fund (\$44,725) and the Road and Bridge Fund (\$10,999).

**FINDING NUMBER 2013-003
(Continued)**

- Paving was performed through CDBG monies on-behalf-of the Township totaling \$39,700. Those monies should have been posted to the Motor Vehicle License Tax Fund as a memo entry to Intergovernmental Receipts and Capital Outlay. In addition, the Township's matching share (\$606) was reclassified from Public Works to Capital Outlay.
- The Belfast School Fund balance of \$2,493 was reclassified from Assigned to Restricted.

On the December 31, 2012 Financial Statement:

- Payments, totaling \$24,068, for the fire contract from the Fire Fund were posted as General Government expenditures instead of Public Safety.
- Paving and chip and seal contract payments were posted as Public Works instead of Capital Outlay in the following funds: Motor Vehicle License Tax Fund (\$7,800); Gasoline Tax Fund (\$50,517) and Permissive Motor Vehicle License Tax Fund (\$27,967)
- General Fund had \$26,014 classified as Unassigned Fund Balance instead of Assigned due to the 2013 appropriations exceeding estimated receipts (i.e. taxes and other sources).

This resulted in audit adjustments and reclassifications to the financial statements.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and footnotes by the Fiscal Officer and Board of Trustees to identify and correct errors and omissions.

We also recommend the Fiscal Officer take care in posting transactions in order to ensure the year-end financial statements reflect the appropriate activity for the Township's receipts and expenditures.

Officials' Response:

The Jackson Township officials take note of the reclassification and reposting of the listed items.

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**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Revised Code, Section 149.351(A) – Maintaining Proper Records	Yes	
2011-002	Ohio Revised Code, § 5705.36(A) – Appropriations in excess of Available Resources	No	Not Corrected. See Finding Number 2013-001
2011-003	Ohio Revised Code section 5705.39 - Appropriations	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
MAY 26, 2015**