

JACKSON TOWNSHIP

NOBLE COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2014 and 2013





Dave Yost • Auditor of State

Board of Trustees
Jackson Township
18614 Crooked Tree Road
Dexter City, OH 45727

We have reviewed the *Independent Auditor's Report* of Jackson Township, Noble County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Jackson Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 16, 2015

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JACKSON TOWNSHIP
NOBLE COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

Jackson Township
Noble County
18614 Crooked Tree Road
Dexter City, OH 45727

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Jackson Township, Noble County, (the Township) as of and for the years ended December 31, 2014 and 2013.

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 opinions.

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 *Adverse 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, 2014 and 2013, or changes in financial position thereof for the years then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

During the audit covering January 1, 2011 to December 31, 2012, the Trustees' were paid \$22,796 from the Gasoline Tax Special Revenue Fund without the required documentation or certification of their hours worked in 2012. This cost should have been charged to the General Fund. In addition, the Fiscal Officer was paid \$5,305 from the Gasoline Tax and \$2,122 from the Road and Bridge, Special Revenue Funds in 2012 without the required documentation or certification of her hours. These costs of \$7,427 should have been paid from the General Fund. The Township declined to make these adjustments.

Adverse Opinion on Regulatory Basis of Accounting

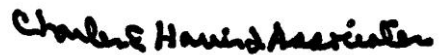
In our opinion, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Jackson Township, Noble as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 10, the Township is experiencing financial difficulties. Management has declined to post the aforementioned adjustments discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* paragraph, due to the General Fund's cash balance not being sufficient to support these adjustments. Management's plan in regards to these financial difficulties is described in Note 10 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 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.



Charles E. Harris & Associates, Inc.
July 30, 2015

**JACKSON TOWNSHIP
NOBLE COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts				
Property and Other Local Taxes	\$ 8,000	\$ 14,870	-	\$ 22,870
Intergovernmental	6,957	114,160	-	121,117
Earnings on Investments	15	12	-	27
Miscellaneous	-	231	-	231
<i>Total Cash Receipts</i>	<u>14,972</u>	<u>129,273</u>	<u>-</u>	<u>144,245</u>
Cash Disbursements				
Current:				
General Government	9,784	38,011	-	47,795
Public Safety	-	9,060	-	9,060
Public Works	-	124,471	-	124,471
Health	1,671	6,009	-	7,680
Debt Service:				
Principal Retirement	-	7,587	-	7,587
Interest & Fiscal Charges	-	796	-	796
<i>Total Cash Disbursements</i>	<u>11,455</u>	<u>185,934</u>	<u>-</u>	<u>197,389</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	3,517	(56,661)	-	(53,144)
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	-	31,668	-	31,668
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>31,668</u>	<u>-</u>	<u>31,668</u>
<i>Net Change in Fund Cash Balances</i>	3,517	(24,993)	-	(21,476)
<i>Fund Cash Balances, January 1</i>	<u>3,283</u>	<u>129,530</u>	<u>\$ 132</u>	<u>132,945</u>
Fund Cash Balances, December 31				
Restricted	-	104,537	132	104,669
Unassigned	6,800	-	-	6,800
<i>Fund Cash Balances, December 31</i>	<u>\$ 6,800</u>	<u>\$ 104,537</u>	<u>\$ 132</u>	<u>\$ 111,469</u>

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

**JACKSON TOWNSHIP
NOBLE COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts				
Property and Other Local Taxes	\$ 8,794	\$ 17,526	-	\$ 26,320
Intergovernmental	8,635	105,704	-	114,339
Earnings on Investments	33	16	-	49
Miscellaneous	6,272	462	-	6,734
<i>Total Cash Receipts</i>	<u>23,734</u>	<u>123,708</u>	<u>-</u>	<u>147,442</u>
Cash Disbursements				
Current:				
General Government	14,317	31,419	-	45,736
Public Safety	-	4,892	-	4,892
Public Works	-	84,263	-	84,263
Health	4,641	3,210	-	7,851
<i>Total Cash Disbursements</i>	<u>18,958</u>	<u>123,784</u>	<u>-</u>	<u>142,742</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	4,776	(76)	-	4,700
<i>Fund Cash Balances, January 1, Restated</i>	<u>(1,493)</u>	<u>129,606</u>	<u>\$ 132</u>	<u>128,245</u>
Fund Cash Balances, December 31				
Restricted	-	129,530	132	129,662
Unassigned	3,283	-	-	3,283
<i>Fund Cash Balances, December 31</i>	<u>\$ 3,283</u>	<u>\$ 129,530</u>	<u>\$ 132</u>	<u>\$ 132,945</u>

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

**Jackson Township
Noble County
Notes to the Financial Statements
December 31, 2014 and 2013**

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, Noble County, (the Township) as a body corporate and politic. A publicly-elected three member Board of Trustees directs the Township. The Township provides general governmental services such as road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Beverly and the Caldwell Volunteer Fire Company to provide fire and emergency medical services.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program. Note 7 to the financial statement provides additional information about this entity.

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 and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share value the mutual funds report.

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.

**Jackson Township
Noble County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds

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

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. 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 forward to the subsequent year.

A summary of 2014 and 2013 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:

1. Nonspendable

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

**Jackson Township
Noble County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

1. Summary of Significant Accounting Policies (continued)

F. Fund Balance (continued)

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 The Board of 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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**Jackson Township
Noble County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

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:

	2014	2013
Demand deposits	\$111,469	\$132,945

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$18,173	\$11,455	\$6,718
Special Revenue	268,549	185,934	82,615
Debt Service	0	0	0
Total	\$286,722	\$197,389	\$89,333

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,890	\$14,972	\$82
Special Revenue	158,688	160,941	2,253
Debt Service	7,452	0	(7,452)
Total	\$181,030	\$175,913	(\$5,117)

2013 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$20,710	\$18,958	\$1,752
Special Revenue	239,223	123,784	115,439
Total	\$259,933	\$142,742	\$117,191

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$19,903	\$23,734	\$3,831
Special Revenue	120,194	123,708	3,514
Total	\$140,097	\$147,442	\$7,345

**Jackson Township
Noble County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

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.

Noble 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, 2014 was as follows:

	Principal	Interest Rate
Farmers & Merchant Bank Loan # 5336317	\$ 24,081	3.75%
Total	\$ 24,081	

The Farmers and Merchants Bank Loan # 5336317 was entered into to finance the purchase of a Case 85C Tractor for the Township. This loan will be repaid in 35 installments of \$931 and an irregular last payment estimated at \$932 and 3.75% interest.

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

Year ending December 31:	Farmers and Merchants Bank Loan # 5336317
2015	\$ 11,177
2016	11,177
2017	2,794
Total	\$ 25,149

6. Retirement Systems

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

For 2014 and 2013, 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, 2014.

**Jackson Township
Noble County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

7. Risk Pool Membership

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), 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.

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, 2014, 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 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$1,400.

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
Noble County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

7. Risk Pool Membership – (Continued)

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2014</u>
\$2,524	\$2,701

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

Management believes there are no pending claims or lawsuits.

9. Prior Period Adjustments

Payrolls paid from incorrect funds in prior years caused the following restatements to the prior year fund balances.

	General Fund	Special Revenue
Fund cash balance, December 31, 2012	\$12,456	\$115,734
Adjustments	(13,949)	13,872
Fund Cash Balance January 1, 2013	(\$1,493)	\$129,606

10. Financial Difficulties

At December 31, 2014, the following funds had adjustments which the Township declined to make in the following amounts:

Fund	December 31, 2014 Balance	Adjustments Not Made	Effect on December 31, 2014 Balance
General	\$ 6,800	\$ (30,223)	\$ (23,423)
Special Revenue	104,537	30,223	134,760

The Township continues to monitor all expenditures of the General Fund.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Jackson Township
Noble County
18614 Crooked Tree Road
Dexter City, OH 45727

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 Jackson Township, Noble County (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated July 30, 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. We issued an adverse opinion on the 2013 and 2014 financial statements due to the Township declining to make adjustments for mispostings from a prior year. We also noted the Township is experiencing financial difficulties.

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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-002 described in the accompanying schedule of findings to be a significant deficiency.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.


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 30, 2015.

Entity's Responses 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.



Charles E. Harris and Associates, Inc.
July 30, 2015

**JACKSON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2014 and 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2014-001 - Material Weakness

During 2014 and 2013, the Township erroneously recorded numerous transactions. The more significant adjustments are as follows:

- Recorded proceeds of a loan as intergovernmental instead of other debt proceeds
- Recorded proceeds of Ohio EMA as other financing sources instead of Intergovernmental receipts
- Recorded rollbacks as property and other local taxes instead of intergovernmental receipts
- Recorded lease payments as earning on investments instead of miscellaneous receipts
- Recorded OTARMA capital distribution money as other financing sources instead of miscellaneous
- Recorded various purchases as human services instead of general government disbursements.

Adjustments were made in the financial statements and the Township's records to reflect the proper presentation.

The Ohio Township Handbook and the UAN manual provide suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned guidance will provide the Township with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

We recommend that the Township refer to the Ohio Township Handbook and UAN manual to properly classify its transactions. We also recommend the Fiscal Officer review all reports compiled by the computer software company to ensure their accuracy.

Management Response: I will refer to the Township handbook and UAN manual to properly classify my transactions in the future.

Finding Number 2014-002 – Significant Deficiency

Control over Payroll Timesheets

The Township has internal control procedures in place for the processing of employees' payrolls and timesheets. Some of these procedures include timesheets to be signed by the employee and department head and the Fiscal Officer to maintain the original signed timesheets.

During review of twenty timesheets, we noted seven of them were not signed by the employee or a department head.

Failure to maintain controls over payroll processing beginning with the notations of where employees' work each day to managing the timesheets and making sure they are appropriately filled out and signed by the employee and countersigned by a supervisor can lead to errors or irregularities without management detecting within a timely manner.

The Fiscal Officer's Office should determine the appropriate form to use for payroll as required by Township's Handbook and review for appropriate original signatures prior to processing payroll. In addition, we recommend the Fiscal Officer maintains all original documents for payroll transactions.

JACKSON TOWNSHIP
NOBLE COUNTY

SCHEDULE OF FINDINGS – (continued)
December 31, 2014 and 2013

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
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Finding Number 2014-002 – Significant Deficiency (continued)

Control over Payroll Timesheets (continued)

Management Response: I will make sure that the proper timesheets are used and signed by each employee.

JACKSON TOWNSHIP
 NOBLE COUNTY, OHIO
 For the Years Ending December 31, 2014 and 2013

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2012-001	Ohio Rev. Code Section 505.24(C) – The Trustees were paid entirely from the Gasoline Tax Fund instead of being paid from the General Fund for administrative duties performed. A finding for adjustment was issued in the previous three audits.	No	Partially Corrected; For 2013 and 2014, Trustees utilized payroll certifications and the practice of using timesheets was re-instated. Prior audit finding for adjustments from previous three audits were partially made to the accounting system by the Township.
2012-002	Ohio Rev. Code Section 507.09 – The Fiscal Officer was paid entirely from the Gasoline Tax Fund and the Road and Bridge Fund instead of being paid from the General Fund for administrative duties performed. A finding for adjustment was issued in the previous three audits.	No	Partially Corrected; For 2013 and 2014, timesheets and payroll certifications were maintained to support the percentage of time spent from each fund types. Prior audit finding for adjustments from previous three audits were partially made to the accounting system by the Township.
2012-003	Improper posting of various transactions; Lack of timely posting of transactions in the accounting system	No	Partially Corrected; Repeated as Finding 2014-001.



Dave Yost • Auditor of State

JACKSON TOWNSHIP

NOBLE 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
DECEMBER 1, 2015**