



Dave Yost • Auditor of State



JACKSON TOWNSHIP  
HARDIN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Jackson Township  
Hardin County  
307 South Patterson Street  
Forest, Ohio 45843

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Jackson Township, Hardin 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, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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, Hardin 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 September 25, 2014, 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

September 25, 2014

**JACKSON TOWNSHIP  
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$26,104	\$32,544	\$58,648
Charges for Services	27,120		27,120
Licenses, Permits and Fees		12,500	12,500
Intergovernmental	11,528	98,099	109,627
Earnings on Investments	954	204	1,158
Miscellaneous	4,919	5,000	9,919
Total Cash Receipts	<u>70,625</u>	<u>148,347</u>	<u>218,972</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	66,724		66,724
Public Safety	15,492		15,492
Public Works		33,768	33,768
Health		39,739	39,739
Other	3,000		3,000
Capital Outlay		12,993	12,993
<b>Debt Service:</b>			
Principal Retirement		13,613	13,613
Interest and Fiscal Charges		453	453
Total Cash Disbursements	<u>85,216</u>	<u>100,566</u>	<u>185,782</u>
Excess of Receipts Over (Under) Disbursements	<u>(14,591)</u>	<u>47,781</u>	<u>33,190</u>
Fund Cash Balances, January 1	<u>370,727</u>	<u>265,746</u>	<u>636,473</u>
<b>Fund Cash Balances, December 31:</b>			
Non-spendable			
Restricted		306,070	306,070
Assigned	56,514	7,457	63,971
Unassigned (Deficit)	299,622		299,622
Fund Cash Balances, December 31	<u>\$356,136</u>	<u>\$313,527</u>	<u>\$669,663</u>

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

**JACKSON TOWNSHIP  
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$26,656	\$33,459		\$60,115
Charges for Services	24,850			24,850
Licenses, Permits and Fees	400	11,325		11,725
Intergovernmental	14,529	103,478		118,007
Earnings on Investments	1,277	269		1,546
Miscellaneous	20,389	8,725		29,114
Total Cash Receipts	<u>88,101</u>	<u>157,256</u>		<u>245,357</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
General Government	61,639			61,639
Public Safety	82,073			82,073
Public Works		80,683		80,683
Health		44,550		44,550
Capital Outlay	146,995	59,508		206,503
<b>Debt Service:</b>				
Principal Retirement		13,192	\$118	13,310
Interest and Fiscal Charges		886		886
Total Cash Disbursements	<u>290,707</u>	<u>198,819</u>	<u>118</u>	<u>489,644</u>
Excess of Receipts Over (Under) Disbursements	<u>(202,606)</u>	<u>(41,563)</u>	<u>(118)</u>	<u>(244,287)</u>
Fund Cash Balances, January 1	<u>573,333</u>	<u>307,309</u>	<u>118</u>	<u>880,760</u>
<b>Fund Cash Balances, December 31:</b>				
Non-spendable				
Restricted		258,301		258,301
Assigned	58,254	7,445		65,699
Unassigned (Deficit)	312,473			312,473
Fund Cash Balances, December 31	<u>\$370,727</u>	<u>\$265,746</u>	<u>\$0</u>	<u>\$636,473</u>

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

**JACKSON TOWNSHIP  
HARDIN 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 Jackson Township, Hardin 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, cemetery maintenance, and fire protection.

The Township participates in jointly governed organizations and a public entity risk pool. Notes 6 and 7 to the financial statements provides additional information for these entities. These organizations are:

**1. Jointly Governed Organizations**

Harding County Regional Planning Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County.

Jackson-Forest Ambulance District - provides emergency medical and ambulance services within the District.

**2. Public Entity Risk Pool**

**Ohio Township Association Risk Management Authority** – provides property and casualty coverage.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. 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 held no investments. Demand deposits are valued at cost.

**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:

**JACKSON TOWNSHIP  
HARDIN COUNTY**

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

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

**1. General Fund**

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

**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 Funds:

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

**Cemetery Fund** - This fund receives fees from the sale of lots, grave openings and closings and for the purpose of maintaining and operating the Township cemeteries.

**Cemetery Bequest Fund** – This fund received interest earned on the nonexpendable corpus from a total of four bequests. These earnings are used for the general maintenance and upkeep of the Township's cemetery. The Township classifies this fund as a Permanent Fund during year, however, since the wills/bequests that established this fund cannot be located this Fund has been rolled into the Special Revenue Fund Type in the accompanying financial statements.

**3. Debt Service Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had a Debt Service Fund which held the unexpended balance from a prior debt obligation. The remaining balance was used pay off a current debt.

**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, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**2. Estimated Resources**

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

**JACKSON TOWNSHIP  
HARDIN COUNTY**

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

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled and re-appropriated next year.

A summary of 2013 and 2012 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. Non-spendable**

The Township classifies assets as *non-spendable* 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. This also includes subsequent year appropriations in excess of estimated receipts.

**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  
HARDIN 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. The carrying amount of deposits at December 31 was as follows:

	<b>2013</b>	<b>2012</b>
Demand deposits	\$665,825	\$632,635
Certificates of deposit	3,838	3,838
Total deposits	\$669,663	\$636,473

**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 2013 and 2012 follows:

**2013 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$65,690	\$70,625	\$4,935
Special Revenue	139,695	148,347	8,652
Total	\$205,385	\$218,972	\$13,587

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$123,944	\$85,216	\$38,728
Special Revenue	272,520	100,566	171,954
Total	\$396,464	\$185,782	\$210,682

**2012 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$65,690	\$88,101	\$22,411
Special Revenue	139,745	157,256	17,511
Debt Service	10	(10)	(10)
Total	\$205,715	\$245,357	\$39,642

**JACKSON TOWNSHIP  
HARDIN COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

<b>2012 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$312,150	\$290,707	\$21,443
Special Revenue	290,680	198,819	91,661
Debt Service	118	118	
Total	\$602,948	\$489,644	\$113,304

Ohio Revised Code Section 505.24 (C) was violated when the wages of the Trustees were not allocated to funds according to the supporting documentation. Ohio Rev. Code Section 5739.02 (B)(1) was violated when sales tax was paid on a purchase.

**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. RETIREMENT SYSTEMS**

The Township's officials and 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% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

**6. RISK MANAGEMENT**

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

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

**JACKSON TOWNSHIP  
HARDIN COUNTY**

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

**6. RISK MANAGEMENT (Continued)**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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.

**A. 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.

**B. 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	<u>8,486,363</u>	<u>9,355,082</u>
Net Position	<u>\$26,467,923</u>	<u>\$25,416,188</u>

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. 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 \$3,000.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
<u>\$6,268</u>	<u>\$6,313</u>

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.

**JACKSON TOWNSHIP  
HARDIN COUNTY**

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

**7. JOINTLY GOVERNED ORGANIZATIONS**

- A. The Hardin County Regional Planning Commission** – (the Commission) is a jointly governed entity between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, and of which may hold any other public office. The Township is represented by one member.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute an assessment per capita according to the latest federal census in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

- B. The Jackson-Forest Ambulance District** – (the District) is a jointly governed entity governed by a three-member Board of Trustees. Each political subdivision within the District appoints one member. Those subdivisions are Jackson Township, the Village of Forest and the Village of Patterson. The District provides ambulance services within the District and by contract to areas outside the District. Financial information can be obtained from Karin Bash, Clerk at 1699 Township Road 195, Forest, Ohio 45843.

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# 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  
Hardin County  
307 South Patterson Street  
Forest, Ohio 45843

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, Hardin 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 September 25, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 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 opinion 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 findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

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 findings 2013-003 and 2013-004 described in the accompanying schedule of findings to be significant deficiencies.

***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 2013-003 and 2013-004.

***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.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 25, 2014

**JACKSON TOWNSHIP  
HARDIN COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Material Weakness**

**Accuracy of Financial Reporting**

The Township should have procedures and controls in place to prevent and detect errors in the financial statements and accounting records to help assure that the information provided to the users is complete and accurate.

The following errors were identified in December 31, 2013 financial statements and were adjusted in the accompanying financial statements:

- Homestead and rollback receipts in the amount of \$4,187 recorded in the General Fund were classified as property tax receipts instead of intergovernmental receipts.
- General government disbursements in the amount of \$6,735 and other disbursements in the amount of \$3,000 in the General Fund were classified as other financing uses.
- Debt principal payments in the amount of \$13,613 and debt interest payments in the amount of \$453 were recorded in the Special Revenue Gas Tax fund for \$13,613 as capital outlay disbursements.
- Homestead and rollback receipts in the amount of \$5,040 recorded in the Special Revenue Cemetery Fund were classified as property tax receipts instead of intergovernmental receipts.

The following errors were identified in December 31, 2012 financial statements and were adjusted in the accompanying financial statements:

- Personal property tax loss reimbursements in the amount of \$958 in the General Fund were classified as property tax receipts instead of intergovernmental receipts.
- Public safety disbursements in the amount of \$5,000 recorded in the General Fund were recorded as transfers out.
- Homestead and rollback receipts in the amount of \$4,166 in the General Fund were classified as property tax receipts.
- The purchase of a truck in the amount of \$146,995 in the General Fund was classified as other financing uses and public safety disbursements instead of capital outlay disbursements.
- General government disbursements in the amount of \$3,199 recorded in the General Fund were classified as other financing uses.
- Personal property tax loss reimbursements in the amount of \$958 in the Special Revenue Cemetery Fund were classified as property tax receipts instead of intergovernmental receipts.
- Debt principal payments in the amount of \$13,192 and debt interest payments in the amount of \$886 recorded in the Special Revenue Gas Tax Fund as capital outlay disbursements.
- Homestead and rollback receipts in the amount of \$2,504 recorded in the Special Revenue Cemetery Fund were classified as property tax receipts instead of intergovernmental receipts.

In addition, at December 31, 2013 and 2012, subsequent year General Fund appropriations in excess of estimated receipts in the amount of \$56,514 and \$58,254, respectively, were reclassified from unassigned fund balance to assigned fund balance. Also, the notes to the annual financial statements required modification to remove unnecessary disclosures, to correct the presentation of the notes, and to add required disclosures.

**FINDING NUMBER 2013-001  
 (Continued)**

The accompanying financial statements and notes have been adjusted to correct these errors.

Errors in the financial statements and supporting ledgers inhibit the ability of both the Fiscal Officer and the Trustees to monitor financial activity and to make sound financial decisions. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the Township. In addition, financial information with errors reduces the likelihood that irregularities will be detected in a timely manner. Since the notes to the financial statements further the understanding of the financial statements, errors or omissions impact the users' understanding of the financial statements and the Township.

The errors identified above should be reviewed by the Fiscal Officer to provide that similar errors are not recorded in the accounting records and financial statements in subsequent years. Also the Fiscal Officer should review the annual notes to the financial statements for accuracy and completeness. The Trustees should periodically review the accounting records to help identify and correct errors prior to completion of the annual financial statements. In addition, the Fiscal Officer should review governmental accounting resources such as those found on the Auditor of State Website at <https://ohioauditor.gov/>, for guidance in recording of financial activity.

**FINDING NUMBER 2013-002**

**Material Weakness**

**Fund Classifications**

The Township should classify funds according to the reporting requirements of governmental accounting to provide for the proper presentation and disclosure of fund activity. Governmental accounting requires funds with a trust agreement and principal that cannot be spent to be classified as either a permanent fund or a private purpose fund depending on whether the income derived from the principal is to benefit the entity's own operations or to benefit individuals, private organizations, or other governments. If there is a trust agreement and both the principal and income can be spent, the fund should be classified as either a special revenue fund or a private purpose trust fund depending on whether or not the money is to benefit the entity's own operations or to benefit individuals, private organizations, or other governments. Absent a trust agreement, contributions with a restricted purpose should be classified as a special revenue fund.

The Township's Cemetery Bequest Fund was classified as a Permanent Fund; however, the Township did not have trust agreement(s) that specified the principal was to be maintained. As a result, this Fund should be classified as a Special Revenue Fund for financial reporting purposes. The accompanying financial statements have been adjusted to correctly classify this fund. The impact on the fund type balances at December 31 was as follows:

<u>2013</u>	<u>Fund Type</u>	<u>Amount</u>	<u>2012</u>	<u>Fund Type</u>	<u>Amount</u>
	Special Revenue	\$7,457		Special Revenue	\$7,445
	Permanent	(7,457)		Permanent	(7,445)

The Fiscal Officer and Trustees should contact their Legal Counsel and Probate Court for assistance in locating the trust agreement(s) for this fund and for a final legal determination. This fund should be classified in future financial statements according to the guidance and support provided by the Township's Legal Counsel and the Probate Court.

### FINDING NUMBER 2013-003

#### Significant Deficiency/Noncompliance Citation

**Ohio Rev. Code § 505.24(C)** as modified by HB 123, effective September 29, 2011, requires township trustees paid by the annual salary method, that compensate from funds other than the general fund, to certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. Prior to HB 123, **Ohio Rev. Code § 505.24(C)** and **Atty. Gen. No. 2004-036** required trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the type of services rendered. The “administrative procedures” can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation.

During 2013 and 2012, the salaries of the Trustees were allocated to funds other than the General Fund; however, the Trustees did not certify the percentage of time spent working on matters to be paid from the other funds. Instead, the 2013 and 2012 Township Minutes stated that the Trustee salaries were to be paid 1/2 from the Gasoline Tax Fund, 1/6 from the Motor Vehicle License Tax Fund, 1/6 from the Cemetery Fund, and 1/6 from the General Fund. The salaries of the Trustees were allocated in the manner stated in the minutes, however, the calendars maintained by the Trustees to support the time charged to each fund did not agree to the actual allocations to the funds.

Based on the calendars provided for 2013, salaries totaling \$1,051 for the Motor Vehicle License Tax Fund, \$1,051 for the Gasoline Tax Fund, and \$2,084 for the Cemetery Fund were charged in excess of the documentation maintained by the Trustees. Based on the calendars provided for 2012, salaries totaling \$1,412 for the Motor Vehicle License Tax Fund, \$1,412 for the Gasoline Tax Fund, and \$1,844 for the Cemetery Fund were charged in excess of the documentation maintained by the Trustees.

The accompanying financial statements and the accounting records have been adjusted to adjust the unsupported salaries to the General Fund.

The Township should implement procedures and controls to provide for compliance with the certification requirements of Ohio Rev. Code § 505.24 (C) and the proper allocation of costs.

### FINDING NUMBER 2013-004

#### Significant Deficiency/Noncompliance Citation

**Ohio Rev. Code § 5739.02 (B)(1)** provides that the tax collected under Ohio Rev. Code § 5739.02 does not apply to sales to the state or any of its political subdivisions, or to any other state or its political subdivisions if the laws of that state exempt from taxation sales made to this state and its political subdivisions.

During 2012, the Township paid an invoice in the amount of \$20,108 from the Gasoline Tax Fund with voucher number 11977. Included in the invoice was sales tax in the amount of \$1,315 which was paid by the Township. The Township is a political subdivision, exempt from sales tax, and, should not have paid sales tax on this purchase.

The payment of sales tax is an unnecessary use of financial resources and could be considered an illegal expenditure.

**FINDING NUMBER 2013-004  
(Continued)**

The Township should file tax exemption forms with all vendors. In addition, all invoices should be reviewed for sales tax charges before prior to being paid. Also the Township should consider attempting to recover unnecessary sales tax payments.

**OFFICIALS' RESPONSE:** We did not receive a response from Officials to the findings reported above.



# Dave Yost • Auditor of State

**JACKSON TOWNSHIP**

**HARDIN 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  
NOVEMBER 06, 2014**