



**Auditor of State
Betty Montgomery**

JACKSON TOWNSHIP
HIGHLAND COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Jackson Township
Highland County
10421 Coss Road
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Highland County, Ohio, (the Township), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Township did not provide sufficient documentation supporting Miscellaneous receipts as recorded in the General Fund during 2002 and 2001. Without this evidential matter, we were unable to obtain sufficient evidence supporting the receipts recorded for the financial statements or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. The undocumented Miscellaneous receipts represent 18% of the total operating receipts recorded on the General Fund financial statements.

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

In our opinion, except for such adjustments, if any, might have been determined to be necessary had we been able to obtain sufficient documentation supporting Miscellaneous receipts, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2003, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 5, 2003

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Property and Other Local Taxes	\$15,956	\$21,885	\$0	\$37,841
Intergovernmental	24,757	65,639	0	90,396
Licenses, Permits, and Fees	2,500	0	0	2,500
Earnings on Investments	402	208	24	634
Miscellaneous	9,232	0	0	9,232
	<u>52,847</u>	<u>87,732</u>	<u>24</u>	<u>140,603</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	41,593	9,468	0	51,061
Public Works	0	57,009	0	57,009
Health	1,945	0	0	1,945
Debt Service:				
Redemption of Principal	0	6,576	0	6,576
Interest and Fiscal Charges	0	7,647	0	7,647
	<u>43,538</u>	<u>80,700</u>	<u>0</u>	<u>124,238</u>
Total Cash Disbursements				
Total Receipts Over Disbursements	<u>9,309</u>	<u>7,032</u>	<u>24</u>	<u>16,365</u>
Fund Cash Balances, January 1	<u>21,402</u>	<u>42,849</u>	<u>2,327</u>	<u>66,578</u>
Fund Cash Balances, December 31	<u><u>\$30,711</u></u>	<u><u>\$49,881</u></u>	<u><u>\$2,351</u></u>	<u><u>\$82,943</u></u>

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

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Property and Other Local Taxes	\$14,164	\$23,715	\$0	\$37,879
Intergovernmental	13,736	68,217	0	81,953
Earnings on Investments	370	152	48	570
Miscellaneous	6,594	0	0	6,594
	<u>34,864</u>	<u>92,084</u>	<u>48</u>	<u>126,996</u>
Total Cash Receipts				
	<u>34,864</u>	<u>92,084</u>	<u>48</u>	<u>126,996</u>
Cash Disbursements:				
Current:				
General Government	29,353	9,620	0	38,973
Public Works	0	62,593	0	62,593
Health	1,827	0	300	2,127
Debt Service:				
Redemption of Principal	0	9,960	0	9,960
Interest and Fiscal Charges	0	1,165	0	1,165
Capital Outlay	1	0	0	1
	<u>31,181</u>	<u>83,338</u>	<u>300</u>	<u>114,819</u>
Total Cash Disbursements				
	<u>31,181</u>	<u>83,338</u>	<u>300</u>	<u>114,819</u>
Total Receipts Over Disbursements	<u>3,683</u>	<u>8,746</u>	<u>(252)</u>	<u>12,177</u>
Fund Cash Balances, January 1	<u>17,719</u>	<u>34,103</u>	<u>2,579</u>	<u>54,401</u>
Fund Cash Balances, December 31	<u><u>\$21,402</u></u>	<u><u>\$42,849</u></u>	<u><u>\$2,327</u></u>	<u><u>\$66,578</u></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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Jackson Township, Highland County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the City of Hillsboro to provide fire protection to the Township.

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

B. Basis of Accounting

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

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

C. Cash and Deposits

The Township invests all available funds in a "Public Fund Now" checking account and certificates of deposit with commercial banks.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Gasoline Tax Fund

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

Motor Vehicle Tax Fund

Receives motor vehicle tax money for constructing, maintaining and repairing Township roads.

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Road & Bridge Fund

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

Cemetery Fund

Receives proceeds from the sale of cemetery lots for maintaining Township cemeteries.

Fire Levy Fund

This fund receives property tax money for the fire protection contract with the City of Hillsboro.

Permissive Motor Vehicle License Tax Fund

Receives proceeds from tax levied on all motor vehicle licenses sold in the Township for road maintenance and repairs.

3. Fiduciary Funds (Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. The Township had expendable trust funds bequested to the Township for cemetery care.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio Law. There were no material encumbrances outstanding at December 31, 2002 and 2001.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	2002	2001
Demand deposits	\$82,419	\$66,054
Certificates of deposit	524	524
Total deposits	\$82,943	\$66,578

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,402	\$52,847	\$29,445
Special Revenue	109,368	87,732	(21,636)
Fiduciary	55	24	(31)
Total	\$132,825	\$140,603	\$7,778

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,308	\$43,538	(3,230)
Special Revenue	142,276	80,700	61,576
Fiduciary	2,383	0	2,383
Total	\$184,967	\$124,238	\$60,729

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$22,965	\$34,864	\$11,899
Special Revenue	102,267	92,084	(10,183)
Fiduciary	54	48	(6)
Total	\$125,286	\$126,996	\$1,710

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$41,878	\$31,181	10,697
Special Revenue	135,177	83,338	51,839
Fiduciary	1,750	300	1,450
Total	\$178,805	\$114,819	\$63,986

The Township did not obtain prior certification of the fiscal officer for all purchases as required by Ohio Law.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest</u>
Lease Purchase Agreement – Tractor/Mower	\$6,964	5.90%

The lease purchase agreement was entered into with Case Credit on March 9, 1998 for the purchase of a tractor and mower.

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

<u>Year ending December 31</u>	<u>Lease Purchase Tractor/Mower</u>
2003	<u>\$7,375</u>

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RETIREMENT SYSTEMS

Township Officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2002.

7. RISK POOL MEMBERSHIP

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000.

The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do 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 report the following assets, liabilities and retained earnings at December 31 (latest information available):

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK POOL MEMBERSHIP (Continued)

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

8. MATERIAL NONCOMPLIANCE

The Township did not retain records in accordance with Ohio Revised Code, Section 149.351.

The Township did not properly receipt monies into the established funds as required by Ohio Revised Code, Section 5705.10.

The Township did not properly deposit monies in accordance with Ohio Revised Code, Section 9.38.

The Township officials did not properly authorize disbursements in accordance with Ohio Revised Code, Section 507.11.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Jackson Township
Highland County
10421 Coss Road
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 5, 2003, which was qualified due to insufficient documentation over the Miscellaneous receipts as recorded in the General Fund. Except as noted in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2002-001 through 2002-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 5, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-001 through 2002-007.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2002-001 through 2002-006 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 5, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 5, 2003

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriate for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

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

Forty one percent of the expenditures tested were executed without first obtaining the fiscal officer's certification and did not meet the exceptions provided for in the Code. Every effort should be made by the Township to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending of the Township funds.

FINDING NUMBER 2002-002

Non-Compliance Citation/Material Weakness

Ohio Rev. Code, Section 9.38, states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day of the receipt, if the total amount of such moneys received exceeds \$1,000. If the total amount does not exceed \$1,000, the public official has the option of either depositing the money on the next business day following the day of receipt or adopting a policy permitting a different time period. The alternative time period, however, shall not exceed three business days following the day of receipt. Further, the policy must include procedures to safeguard the money until the time of deposit.

Of total receipts tested, 18 percent were not deposited in compliance with Ohio Rev. Code, Section 9.38. The undeposited amounts were as much as \$11,000. Failure to deposit funds in accordance with Ohio Rev. Code, Section 9.38, could result in possible misappropriation of funds. We recommend the Township implement procedures and/or a policy to ensure that all public moneys are deposited with a properly designated depository on the business day following the day of receipt.

FINDING NUMBER 2002-003

Non-Compliance Citation/Material Weakness

Ohio Rev. Code, Section 5705.09, states that each subdivision shall establish a special fund for each source of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. Monies were not always posted to the particular fund specified by their purpose. Ohio Rev. Code, Section 5705.10, provides that monies paid into any fund shall be used only for the purpose for which such fund is established. The Township received monies for the Belfast Community Center and deposited these funds into a separate checking account. These receipts and disbursements were not recorded in the Township's books. Failure to properly record all transactions reduces internal control over receipts and disbursements and increases the probability of misappropriation, errors, or loss of public funds not being detected in a timely manner. To improve help internal control and accountability we recommend that the Clerk refer to the *Ohio Township Handbook* appendix, and the Uniform Accounting Network Accounting Manual. Trustees should also review records periodically to ensure that receipts and disbursements are being properly posted. The Township agreed with these adjustments and they were made to the Township's ledgers and in the accompanying financial statements.

	General Fund	Motor Vehicle License Fund	Fire Levy Fund	Road and Bridge Fund	Permissive Motor Vehicle License Tax Fund
2001	\$ 6,252.14	\$0	\$387.09	(\$508.42)	\$0
2002	4,496.31	1,038.63	\$493.37	205.67	(\$1,038.63)
Total	\$10,748.45	\$1,038.63	\$880.46	(\$302.75)	(\$1,038.63)

FINDING NUMBER 2002-004

Non-Compliance Citation/Material Weakness

Ohio Rev. Code, Section 149.351, provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42, Revised Code.

During the audit period, the Township did not provide complete documentation of the following items:

1. Vouchers and supporting documentation for expenditures for the Belfast Community Center;
2. Duplicate receipts and/or supporting documentation for monies received from the Belfast Community Center (adjusted onto the financial statements as Miscellaneous receipts).

We were unable to audit the miscellaneous receipts or to perform alternative auditing procedures to ensure accountability over the applicable receipts. The Township should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

FINDING NUMBER 2002-005

Non-Compliance Citation/Material Weakness

Ohio Rev. Code, Section 507.11, provides that no money belonging to the township shall be paid out except upon an order signed personally by at least two of the township trustees and countersigned by the township clerk. The Township officials opened a checking account for the purpose of writing checks to cover various expenses of the Belfast Community Center. The checks written were signed either by the Clerk, Board President or the Board President's wife. These warrants were not recorded on the Township's ledgers or approved in the minutes. The Township officials passed a retroactive resolution approving these expenditures. We recommend that all expenditures be reviewed and approved by the officials prior to payment.

FINDING NUMBER 2002-006

Material Weakness

The Trustees did not perform monitoring functions such as reviewing monthly financial records, reviewing minutes, reviewing and approving bills and establishing controls over the receipt cycle. This may create an environment which promotes future fraud or misappropriation of funds. The following weaknesses were noted:

- Monthly financial reports were not presented to the Trustees;
- The minutes did not include a list of bills approved for payment from the Belfast Community Center;
- Invoices contained no indication (e.g. , initials) that someone had performed a comparison between the items included on the invoices and the items received;
- Invoices were not always attached to the voucher packet nor were they always kept on file;
- Vouchers were not maintained in numerical sequence;
- Contracts were not completed for all rental activities of the Belfast Community School Building;
- Duplicate receipts were not written or maintained for all rental and donations for the Belfast Community Center;
- The checks from the Belfast Community Center checking account were signed by either the Clerk, the Board President or the Board President's wife;
- The minutes did not include all significant actions taken by the Township;
- Expenditures from the Belfast Community Center were not posted to the Township's books;
- Late payment fees were paid on several bills.

The lack of timely financial reports and accurate fund balances significantly reduces the Trustee's ability to monitor the Township's financial position. In addition, the lack of control over invoices and goods/services received resulted in unauthorized payments, over/under payments or duplicate payments, and unaccounted for checks.

To strengthen the Township's internal control structure and reduce the likelihood of undetected errors, we recommend officials implement the following controls:

**FINDING NUMBER 2002-006
(Continued)**

- Monthly financial reports be prepared and submitted to the Trustees. This submission should occur prior to the regular meetings so that Board members have an opportunity to review the information and ask informed questions at the Trustees meetings. Discussion of the monthly financial reports should be documented in the minutes;
- When invoices are received, a comparison should be made between the goods/services included on the invoice and the goods/services received. The official/department head which received the goods should perform this comparison and indicate his/her review by initializing the invoice. The initials indicate the goods/services were received and the invoice is approved for payment. Invoices should be attached to all voucher packets;
- Once invoices have been approved for payment, the Clerk/Treasurer should issue the corresponding check and stamp the invoice "Paid." The invoice should be filed with the voucher packet; and
- Township checks should be signed by the Clerk/Treasurer and the Township Trustees. Prior to signing the checks, the Trustees should agree the vendor name and amount on the check to the invoice;
- Vouchers packets should be maintained in numerical sequence;
- Duplicate receipts should be written for rental and donations received by the Township;
- The Trustees should ensure that bills be paid on a timely basis to avoid late charges;
- Contracts should be completed for all rental activities of the Belfast Community Center. These contracts should be executed by both the renter/vendor and an appropriate member of the Township's management. Duplicate receipts should be issued for payments received on all contracts, or the person receiving the cash should mark the amount paid on the contract. All contracts should be dated and all required information on the contracts should be completed;
- All rates charged for rental of the Belfast Community Center should agree to an authorized rate schedule. This rate schedule should be approved by the Board of Trustees and a copy should be maintained on file.

FINDING NUMBER 2002-007

Reportable Condition

The Clerk/Treasurer handles all the financial record keeping including receipting, depositing, check writing, check signing and posting. This does not allow for an adequate segregation of duties. In addition, the checking account for the Community School Building did not reconcile to the subsidiary records maintained by the Township. The weakness of this system is that it allows for diversion of funds through possible alteration of source documents. Also, bookkeeping errors occurred without detection in a timely manner.

To ensure accountability and to strengthen internal accounting controls, officials should periodically review the records, (i.e. reconciliations, etc), and required signatures should be written for all checks, to determine accuracy and to verify that proper procedures were followed by the fiscal officer. These periodic reviews should be noted in the minutes, and documents reviewed should be initialed by the reviewer.

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40436-001	Ohio Rev. Code, Section 5705.09, requires the Township to establish a special fund for each class of revenues.	No	Reissued as Finding 2002-003
2000-40436-002	Ohio Rev. Code, Section 5705.10, requires the Clerk to post receipts to the proper fund.	No	Reissued as Finding 2002-003
2000-40436-003	Ohio Rev. Code, Section 5705.41D, the Township did not obtain prior certification of expenditures.	No	Reissued as Finding 2002-001



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
JUNE 26, 2003**