



**Auditor of State
Betty Montgomery**

JACKSON TOWNSHIP
HIGHLAND COUNTY

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**Auditor of State
Betty Montgomery**

Jackson Township
Highland County
3199 Pleasant Road
Hillsboro, Ohio 45133

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

February 8, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Jackson Township
Highland County
3199 Pleasant 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, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

February 8, 2006

**JACKSON TOWNSH
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, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$16,492	\$18,264	\$0	\$34,756
Intergovernmental	12,255	90,234		102,489
Earnings on Investments	171	105	24	300
Other Revenue	12,586	1,945		14,531
Total Cash Receipts	<u>41,504</u>	<u>110,548</u>	<u>24</u>	<u>152,076</u>
Cash Disbursements:				
Current:				
General Government	48,478	9,767		58,245
Public Works		76,304		76,304
Health	2,047		240	2,287
Debt Service:				
Redemption of Principal	8,100	3,677		11,777
Interest and Fiscal Charges	302	1,176		1,478
Total Cash Disbursements	<u>58,927</u>	<u>90,924</u>	<u>240</u>	<u>150,091</u>
Total Receipts Over/(Under) Disbursements	<u>(17,423)</u>	<u>19,624</u>	<u>(216)</u>	<u>1,985</u>
Other Financing Receipts and (Disbursements)				
Proceeds from bank loan	12,106			12,106
Total Other Financing Receipts/(Disbursements)	<u>12,106</u>	<u>0</u>	<u>0</u>	<u>12,106</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(5,317)	19,624	(216)	14,091
Fund Cash Balances, January 1	14,640	44,041	2,375	61,056
Fund Cash Balances, December 31	<u>\$9,323</u>	<u>\$63,665</u>	<u>\$2,159</u>	<u>\$75,147</u>

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

**JACKSON TOWNSH
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, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$16,618	\$16,705	\$0	\$33,323
Intergovernmental	11,655	78,912		90,567
Earnings on Investments	249	122	24	395
Other Revenue	11,048	2,110		13,158
Total Cash Receipts	<u>39,570</u>	<u>97,849</u>	<u>24</u>	<u>137,443</u>
Cash Disbursements:				
Current:				
General Government	46,806	12,387		59,193
Public Works		84,427		84,427
Health	1,930			1,930
Miscellaneous	6,905			6,905
Debt Service:				
Redemption of Principal		6,964		6,964
Interest and Fiscal Charges		411		411
Capital Outlay		20,500		20,500
Total Cash Disbursements	<u>55,641</u>	<u>124,689</u>	<u>0</u>	<u>180,330</u>
Total Receipts Over/(Under) Disbursements	<u>(16,071)</u>	<u>(26,840)</u>	<u>24</u>	<u>(42,887)</u>
Other Financing Receipts and (Disbursements):				
Proceeds from bank loan		21,000		21,000
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>21,000</u>	<u>0</u>	<u>21,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(16,071)	(5,840)	24	(21,887)
Fund Cash Balances, January 1	30,711	49,881	2,351	82,943
Fund Cash Balances, December 31	<u>\$14,640</u>	<u>\$44,041</u>	<u>\$2,375</u>	<u>\$61,056</u>
Reserve for Encumbrances, December 31	<u>\$2,952</u>	<u>\$3,141</u>	<u>\$0</u>	<u>\$6,093</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, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Jackson Township, Highland County, Ohio (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, fire protection.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. 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. Cash and Investments

The Township invests all available funds in a "Public Funds Now" checking account and certificates of deposit with local commercial banks. The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. The Township values certificates of deposit 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:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds 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:

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

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

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

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. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. 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.

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	2004	2003
Demand deposits	\$74,623	\$60,532
Certificates of deposit	524	524
Total deposits	75,147	61,056

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, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,824	\$49,504	\$2,680
Special Revenue	100,869	110,548	9,679
Fiduciary	(466)	24	490
Total	\$147,227	\$160,076	\$12,849

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$55,086	\$54,821	\$265
Special Revenue	145,527	90,924	54,603
Fiduciary	100	240	(140)
Total	\$200,713	\$145,985	\$54,728

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$32,698	\$39,570	\$6,872
Special Revenue	95,679	118,849	23,170
Fiduciary	57	24	(33)
Total	\$128,434	\$158,443	\$30,009

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$41,912	\$55,641	(\$13,729)
Special Revenue	144,983	124,689	20,294
Fiduciary	2,409	0	2,409
Total	\$189,304	\$180,330	\$8,974

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

The Township did not obtain prior certification of the fiscal officer for all purchases nor were commitments properly encumbered as required by Ohio law.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

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, 2004 was as follows:

	Principal	Interest Rate
Loan	\$4,006	4.75%
General Obligation Notes	17,323	5%
Total	\$21,329	

The Township issued a general obligation note to finance the purchase of a truck and plowing equipment for Township road maintenance. The Township's taxing authority collateralized the bonds.

The Township obtained a loan with Merchants National Bank for the purchase of Longaberger baskets for resale as a Village fund raiser for the community center.

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

	Loan	General Obligation Notes
Year ending December 31:		
2005	\$4,102	\$4,853
2006		4,853
2007		4,853
2008		5,290
Total	\$4,102	\$19,849

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, participants contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

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 claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

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 in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 township.

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.

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RISK MANAGEMENT

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

8. MATERIAL NONCOMPLIANCE

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



Auditor of State Betty Montgomery

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

Jackson Township
Highland County
3199 Pleasant Road
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the financial statements of Jackson Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated (date), wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine 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 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 management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 through 2004-006.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Township's management dated February 8, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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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, providing an opinion 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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2004-001 and 2004-002. Also, in a separate letter to the Township's management dated February 8, 2006, we reported matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and the Board. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

February 8, 2006

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.41 (D) (1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) maybe paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified in 21% of the Township's expenditures tested during 2003 and 56% of the Township's expenditures tested during 2004, nor did the Township use the aforementioned exceptions. 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 the Township's funds.

**FINDING NUMBER 2004-001
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improved controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which section 5705.41 (D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41 (D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2004-002

Non-Compliance Citation/Reportable Condition

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 supporting documentation for expenditures. Invoices were not always attached to the vouchers and kept on file. This occurred in 18% of expenditures tested for 2003 and in 19% of expenditures tested in 2004. Alternative procedures were performed to verify these expenditures.

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 2004-003

Reportable Condition

When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensuring that all transactions are properly authorized in accordance with management's policies.
- Ensuring that accounting records are properly designed.
- Ensuring adequate security of assets and records.
- Verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records.
- Performing analytical procedures to determine the reasonableness of financial data.

**FINDING NUMBER 2004-003
(Continued)**

- Ensuring the collection and compilation of the data needed for the timely preparation of financial statements.

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, or approved by the Trustees;
- Bank reconciliations were not always approved by the Trustees

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:

- Monthly financial reports including bank reconciliations and a list of bills to be approved for payment 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, listing of bills approved for payment and bank reconciliations should be documented in the minutes.

FINDING NUMBER 2004-004

Reportable Condition

When designing the public office's system of internal control and the specific control activities, management should also consider planning for adequate segregation of duties or compensating controls.

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. The weakness of this system is that it allows for diversion of funds through possible alteration of source documents. Also, bookkeeping errors could occur 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) 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.

FINDING NUMBER 2004-005

Reportable Condition

When designing the public office's system of internal control and the specific control activities, management should also consider the following:

- Ensuring that accounting records are properly designed.
- Ensuring adequate security of assets and records.
- Verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records.
- Ensuring the collection and compilation of the data needed for the timely preparation of financial statements.

Proper supporting documentation was not maintained for all receipts. Failure to maintain appropriate accounting records may adversely affect the decisions of management and could result in inaccurate financial reporting. Efforts should be made by the Township to maintain all accounting records. We recommend the following:

- Pre-numbered duplicate receipts be issued for each individual receipt received.
- Inventory sheets should be kept noting number of baskets purchased, number sold, and number left on hand.
- Profit potential sheets should be kept noting the number of baskets purchased, sales price, expected profit, realized profit, and explanations for overages and/or shortages.

FINDING NUMBER 2004-006

Reportable Condition

The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that certain assertions are achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it. The Rights and Obligations assertion states that recorded assets are rights of the public office.

9 checks received by the Township, totaling \$765, were made payable to the Board President's wife and not to the Township. These checks were deposited into the Township's bank account. Failure to maintain appropriate accounting records may adversely affect the decisions of management and could result in inaccurate financial reporting. We recommend that all money received for the Township should be received by a Township official. Any checks received should be made payable to the Township.

**JACKSON TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004-2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	ORC 5705.41(D), the Township did not obtain prior certification of expenditures.	No	Reissued as Finding 2004-001
2002-002	ORC 9.38, the Township did not deposit in a timely period	Yes	
2002-003	ORC 5705.09, requires the Township to establish a special fund for each class of revenues	Yes	
2002-003	ORC 5705.10, monies were not always posted to the proper fund	Yes	
2002-004	ORC 149.351, destruction of public records	No	Reissued as Finding 2004-002.
2002-005	ORC 507.11, expenditures made without signature of clerk .	Yes	
2002-006	The trustees did not perform monitoring functions.	No	Reissued as Finding 2004-003.
2002-007	There was no segregation of duties.	No	Reissued as Finding 2004-004.



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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
FEBRUARY 28, 2006**