



Dave Yost • Auditor of State

JACKSON TOWNSHIP
MUSKINGUM COUNTY

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Dave Yost • Auditor of State

Jackson Township
Muskingum County
13776 Hamby Hill Road
Frazeyburg, Ohio 43822

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 an 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 adverse 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 22, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Jackson Township
Muskingum County
13776 Hamby Hill Road
Frazeytsburg, Ohio 43822

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010. 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(A) mandates 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 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, 2011 or 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of Jackson Township, Muskingum County Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2012, 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.



Dave Yost
Auditor of State

August 22, 2012

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts				
Property and Other Local Taxes	\$23,612	\$144,827	\$18,365	\$186,804
Licenses, Permits and Fees		11,700		11,700
Intergovernmental	18,233	117,831		136,064
Special Assessments			1,036	1,036
Earnings on Investments	193	671		864
Miscellaneous	1,894	9,084		10,978
<i>Total Cash Receipts</i>	<u>43,932</u>	<u>284,113</u>	<u>19,401</u>	<u>347,446</u>
Cash Disbursements				
Current:				
General Government	44,644			44,644
Public Safety		148,372		148,372
Public Works		107,814		107,814
Health		38,114		38,114
Human Services	491			491
Capital Outlay	156	275		431
Debt Service:				
Principal Retirement			21,959	21,959
Interest and Fiscal Charges			7,752	7,752
<i>Total Cash Disbursements</i>	<u>45,291</u>	<u>294,575</u>	<u>29,711</u>	<u>369,577</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,359)</u>	<u>(10,462)</u>	<u>(10,310)</u>	<u>(22,131)</u>
Special Item	239			239
<i>Net Change in Fund Cash Balances</i>	(1,120)	(10,462)	(10,310)	(21,892)
<i>Fund Cash Balances, January 1</i>	<u>26,699</u>	<u>139,874</u>	<u>(7,625)</u>	<u>158,948</u>
Fund Cash Balances, December 31				
Restricted		129,412	1,035	130,447
Unassigned (Deficit)	25,579		(18,970)	6,609
<i>Fund Cash Balances, December 31</i>	<u>\$25,579</u>	<u>\$129,412</u>	<u>(\$17,935)</u>	<u>\$137,056</u>

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

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$24,019	\$126,182	\$17,601	\$167,802
Licenses, Permits, and Fees		12,050		12,050
Intergovernmental	26,563	117,180		143,743
Special Assessments			2,332	2,332
Earnings on Investments	345	1,039		1,384
Miscellaneous	2,172	9,031		11,203
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	53,099	265,482	19,933	338,514
Cash Disbursements:				
Current:				
General Government	45,893	3,620		49,513
Public Safety		98,967		98,967
Public Works		96,378		96,378
Health		37,876		37,876
Capital Outlay		18,275		18,275
Debt Service:				
Redemption of Principal			19,531	19,531
Interest and Other Fiscal Charges			8,027	8,027
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	45,893	255,116	27,558	328,567
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	7,206	10,366	(7,625)	9,947
Other Financing Receipts / (Disbursements):				
Sale of Fixed Assets		4,500		4,500
Advances-In	7,854		7,854	15,708
Advances-Out	(7,854)		(7,854)	(15,708)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	0	4,500	0	4,500
Special Item	295			295
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	7,501	14,866	(7,625)	14,742
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	19,198	125,008	0	144,206
Fund Cash Balances, December 31	<hr/> \$26,699	<hr/> \$139,874	<hr/> (\$7,625)	<hr/> \$158,948

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

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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, Muskingum 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 services. The Township contracts with the Frazeysburg Volunteer Fire Department to provide fire services.

The Township participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk-sharing pool. Note 8 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis 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. 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 private-purpose 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
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Cemetery Fund - This fund receives property tax money and fees for maintaining the Township's cemetery.

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Funds:

General Bond (Note) Retirement Fund - This fund receives transfer and special assessments for repayment of debt.

Note Retirement Fund - This fund receives property tax money for repayment of debt related to the purchase of a road equipment.

D. 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 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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

2. Equity in Pooled Deposits

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

	2011	2010
Demand deposits	\$137,056	\$158,948

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,238	\$44,171	\$3,933
Special Revenue	267,304	284,113	16,809
Debt Service	22,007	19,401	(2,606)
Total	\$329,549	\$347,685	\$18,136

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$45,291	(\$45,291)
Special Revenue	0	294,575	(294,575)
Debt Service	0	29,711	(29,711)
Total	\$0	\$369,577	(\$369,577)

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,131	\$53,099	\$12,968
Special Revenue	247,418	269,982	22,564
Debt Service	26,528	19,933	(6,595)
Capital Projects	3,550	0	(3,550)
Total	\$317,627	\$343,014	\$25,387

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,325	\$45,893	\$16,432
Special Revenue	298,980	255,116	43,864
Debt Service	20,524	27,558	(7,034)
Capital Projects	8,927	0	8,927
Total	\$390,756	\$328,567	\$62,189

Contrary to Ohio law, appropriations exceeded estimated resources by \$451 in the General Fund and by \$5,377 in the Jackson Township Ball Fields Capital Projects Fund for the year ended December 31, 2010. Contrary to Ohio law, the Board of Trustees did not properly approve the annual appropriation resolution for the year ended December 31, 2011, nor was it filed with the County Auditor. As a result, the 2011 appropriations were not deemed to be legal.

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.

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.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$91,022	5.48%
General Obligation Notes	47,123	4.25%
Total	\$138,145	

The Township issued general obligation bonds in February 2006 to finance the land acquisition for ball fields. The bonds are collateralized solely by the Township's taxing authority.

The general obligation notes were issued in November 2009 to purchase road equipment to be used for Township road maintenance. The notes are collateralized solely by the Township's taxing authority.

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

Year ending December 31:	General Obligation Bonds	General Obligation Notes
2012	\$8,529	\$17,687
2013	8,330	17,004
2014	8,130	16,327
2015	7,931	
2016	7,731	
2017-2021	35,662	
2022-2026	30,674	
2027-2031	25,686	
2032-2036	20,698	
Total	\$153,371	\$51,018

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, 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, 2011.

7. Risk Management

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

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Risk Management (Continued)

The Township is insured with the Ohio Plan (the "Plan") risk pool. The Plan assumed the risk of loss up to the limits of the Township's policies. Coverage is subject to deductibles and scheduled property. The risk pool membership is further disclosed in Note 8 to the financial statements.

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

The Township also offers health insurance coverage to its full time employee through a private carrier.

8. Risk Pool Membership

Prior to 2009, the Township belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Risk Pool Membership (Continued)

These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009, respectively. The Township does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available), and include amounts for both OPRRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.



Dave Yost • Auditor of State

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

Jackson Township
Muskingum County
13776 Hamby Hill Road
Frazeesburg, Ohio 43822

To the Board of Trustees:

We have audited the financial statements of Jackson Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 22, 2012, 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 and adopted GASB Statement No. 54. We also noted 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(A) mandates the Auditor of State to audit Ohio governments. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01, 2011-03, and 2011-06 through 2011-08 described in the accompanying Schedule of Findings to be material weaknesses.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2011-01 through 2011-07.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 22, 2012.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

August 22, 2012

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This Section is amplified by Ohio Attorney General Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion No. 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. There is no one method for documenting time and the kinds 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(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

As of September 29, 2011, Ohio Rev. Code Section 505.24(C) was amended to require in part that whenever members of a board of township trustees are compensated per diem and not by annual salary, the board shall establish, by resolution, a method by which each member of the board shall periodically notify the township fiscal officer of the number of days spent in the service of the township and the kinds of services rendered on those days.

By unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

For 2011 and 2010, the Board of Trustees were paid from the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and the Cemetery Fund. The Board of Trustees established administrative procedures and prepared documentation for how they spent their time and the type of services performed; however, the amounts allocated to these funds did not agree to this documentation. Prior to September 29, 2011, trustees were required to document their time in order to substantiate that the payroll disbursements were allocated to the proper funds. Prior to September 29, 2011, trustees were to be paid from the General Fund unless administrative procedures were established to document the proportionate amount of the Trustees' salaries chargeable to other Township funds. For 2010, this resulted in an adjustment of salaries totaling \$5,458 to the General Fund from the Gasoline Tax, Road and Bridge, and Cemetery funds in the amounts of \$3,095, \$1,965, and \$398, respectively. For 2011, this resulted in an adjustment of salaries totaling \$5,243 to the General Fund and \$780 to the Cemetery Fund from the Gasoline Tax and Road and Bridge Funds in the amounts of \$4,452 and \$1,572, respectively. These adjustments, to which the Township has agreed, have been reflected in the accompanying financial statements.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-01 (Continued)

Noncompliance Citation and Material Weakness - Ohio Rev. Code Section 505.24(C) (Continued)

If the Board adopts, by unanimous vote, a method of compensation consisting of an annual salary, the Trustees may certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

FINDING NUMBER 2011-02

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 Ohio Rev. Code Section 5705.41(D)(1) and 5705.41(D)(3), respectively:

Then and Now Certificate – If the fiscal officer can certify that both at the time 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 encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the Township 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.

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. 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.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-02 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

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.

Thirty-five percent of the non-payroll transactions tested in 2010 did not have the prior certification of the Fiscal Officer, nor was there any evidence the Fiscal Officer was using a “then and now” certificate for these disbursements. Although there were certifications presented for 2011 transactions tested, no appropriations were deemed legal (See Finding Number 2011-04). Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Additionally, though the Township utilized blanket certificates in both 2011 and 2010, there was no evidence that the Trustees have established a maximum amount a blanket certificate can be issued for.

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 improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligations being incurred by the Township. When prior certification is not possible, “then and now” certificates should be used.

We recommend the Township certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation. Additionally, if the Township decides to utilize blanket certificates, a maximum amount should be established.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-03

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 5705.09(C) requires each subdivision to establish a bond retirement fund into which it must pay sufficient revenues to retire serial bonds, notes and certificates of indebtedness at maturity.

The Township has a General Bond (Note) Retirement Fund to pay debt payments. In 2010, the Township paid General Obligation Bond debt from the Jackson Ball Field Fund, Capital Project Fund type, instead of paying this debt from the General Bond (Note) Retirement Fund in the amounts of \$3,640 in principal and \$5,287 in interest. The debt instrument drafted by bond counsel, under Section 5 requires the use of a debt service fund. This resulted in an adjustment, which was agreed to by the Township, to the accompanying financial statements to correctly classify this fund as a debt service fund. The Township corrected this in 2011.

We recommend the Township pay all future revenues to retire the land acquisition bonds into a debt service bond retirement fund and also pay the corresponding principal and interest obligations that come due from this debt service bond retirement fund.

FINDING NUMBER 2011-04

Noncompliance Citation

Ohio Rev. Code Section 5705.38(A) states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wishes to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

At the Township's organizational meeting held in January of 2010, it was noted that temporary appropriations were approved for 2010; however, no amount or fund/function allocation was noted. The 2010 permanent appropriation resolution was approved on March 4, 2010. The Township approved the 2011 temporary appropriations at the December 2010 organizational meeting and the permanent appropriation resolution at the March 3, 2011 meeting; however, no amounts or fund/function allocations were noted. Additionally, the 2011 resolution was not filed with the County Auditor. As a result, no appropriations are reflected in the budgetary disclosures to the financial statements for 2011 as the Township's appropriations were not deemed to be legal.

We recommend the Board of Trustees ensure its annual appropriation resolution is passed in a timely manner and file such appropriations with the County Auditor. When the Board of Trustees passes an appropriation measure, whether it's temporary or permanent, the measure should provide detail such as fund, function and amount.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-05

Noncompliance Citation

Ohio Rev. Code Section 5705.39 requires appropriations from each fund to be limited to total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

During the year ended December 31, 2010, appropriations exceeded estimated resources by \$451 in the General Fund and by \$5,377 in the Jackson Township Ball Fields Fund. For 2011, no appropriations were filed with the County Auditor; therefore, no certificate was received indicating the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Prior to Board of Trustees authorizing the original appropriations or approving any amendments, we recommend the Board compare proposed appropriations with the Certificate of Estimated Resources to ensure that the appropriations will not exceed the Board's estimated resources. We also recommend the Fiscal Officer file Board approved appropriations with the County Auditor so a certificate can be issued by the County Auditor indicating the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

FINDING NUMBER 2011-06

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Although inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year and cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision (Board of Trustees) which must include both a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-06 (Continued)

Noncompliance Citation and Material Weakness - Ohio Rev. Code Section 5705.10 (Continued)

Our review of the Township's financial statements noted interfund advances were reported on the Township's annual report; however, the Township's minutes did not include evidence of approvals for all interfund advances by Township Board of Trustees during the audit period. As a result of the lack of statutory authority for making these advances, an adjustment was necessary to remove the interfund advance activity of \$717 between the International Truck Note Retirement Fund and General Fund, \$125 between the General Fund and Motor Vehicle License Tax Special Revenue Fund, and \$296 between the General Fund and the Road and Bridge District Special Revenue Fund, for fiscal year 2011, and \$1,757 between the General Fund and General Note Retirement Fund and \$1,166 between the General Note Retirement Fund and the General Fund, for fiscal year 2010, from the Township's financial statements. These adjustments were agreed to by the Township's management.

We recommend the Township only post and report interfund advances that are legislatively approved by the Board of Trustees and documented in the Township's minute record.

FINDING NUMBER 2011-07

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 5705.14 permits transfers from the General Fund to any other fund of the Township by resolution passed in the minutes with an affirmative vote of a simple majority of the Board of Township Trustees. Certain other permissible transfers are set forth in this section, but they may only be made by resolution of the Board of Trustees passed with an affirmative vote of two-thirds of the Board Members.

Our review of the Township's financial statements noted interfund transfers were reported on the Township's annual report; however, the Township's minutes did not include evidence of approvals for all interfund transfers by the Township Board of Trustees during the audit period. As a result of the lack of statutory authority for making these transfers, adjustments were necessary to remove the interfund transfer activity of \$723 between the General Fund and the International Truck Note Fund and \$8,729 between the General Fund and Frew Park Note Retirement Fund for fiscal year 2011, and \$8,927 between the General Fund and the Jackson Township Ball Fields Fund for fiscal year 2010, from the Township's financial statements. These adjustments were agreed to by the Township's management.

We recommend the Township only make transfers that are legislatively approved and adopted in resolution form by an affirmative vote of two-thirds of the Board members (or a majority vote of Board for transfers from the General Fund).

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-08

Material Weakness

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Fiscal Officer posted budgetary amounts to the receipt and disbursements ledgers that did not agree with the estimated receipts certified by the budget commission, and the appropriation resolutions approved by the Board of Trustees. The following table lists the variances:

Fund	Budgeted Receipts per the UAN System	Budgeted Receipts per the Final Certificate of Estimated Resources	Variance
For the fiscal year ending December 31, 2011:			
General Fund	\$42,273	\$40,238	\$2,035
Motor Vehicle License Tax Fund	7,625	7,500	125
Gasoline Tax Fund	85,525	85,000	525
Road and Bridge Fund	26,725	25,719	1,006
Cemetery Fund	13,460	12,000	1,460
Fire District Fund	109,200	109,279	(79)
Road and Bridge District Fund	28,300	27,806	494
Frew Park Note Retirement Fund	8,739	3,641	5,098
Int. Truck Note Retirement Fund	18,366	17,701	665

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-08 (Continued)

Material Weakness (Continued)

Fund	Budgeted Receipts per the UAN System	Budgeted Receipts per the Final Certificate of Estimated Resources	Variance
For the fiscal year ending December 31, 2010:			
General Fund	\$40,975	\$40,131	\$844
Motor Vehicle License Tax Fund	7,625	8,000	(375)
Gasoline Tax Fund	85,400	85,500	(100)
Road and Bridge Fund	26,642	26,743	(101)
Cemetery Fund	39,520	44,465	(4,945)
Fire District Fund	53,750	54,652	(902)
Road and Bridge District Fund	28,000	28,056	(56)
Frew Park Note Retirement Fund	3,907	8,927	(5,020)
Int. Truck Note Retirement Fund	17,701	17,601	100
Jackson Twp Ball Fields Fund	8,931	3,550	5,381
Fund	Appropriations per the UAN system	Appropriations per Annual Appropriation Resolution	Variance
For the fiscal year ending December 31, 2010:			
General Fund	\$58,579	\$62,325	(\$3,746)
Road and Bridge Fund	27,254	27,155	99
Fire District Fund	56,496	53,651	2,845
Frew Park Note Retirement Fund	3,179	2,923	256

Additionally, as discussed in Finding Number 2011-04, the 2011 appropriation resolution was not properly approved by the Board of Trustees, nor was it filed with the County Auditor. As a result, no appropriations are reflected in the budgetary disclosures to the financial statements for 2011 as the Township's appropriations were not deemed to be legal.

Inaccurate budgetary information posted to the accounting system could result in management of the Township not being able to effectively monitor and report its budget vs. actual status throughout the year. Because the information entered into the accounting system was not always accurate, adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present budgeted receipts as certified by the County Auditor and appropriations as approved by the Board of Trustees.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2011-08 (Continued)

Material Weakness (Continued)

We recommend the Fiscal Officer record estimated receipts directly from the certificate of estimated resources and any amendments thereto. Appropriations should be recorded directly from the appropriation resolution and any amendments thereto. This would ensure useful comparisons of estimated to actual receipts and disbursements to be made throughout the year and help indicate when an increased or decreased amended certificate or appropriation adjustment should be obtained.

Official's Response: We did not receive a response from Officials to the findings reported above.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 5705.10(H) – Advances not approved by the Board of Trustees.	No	Repeated as Finding No. 2011-06.
2009-002	Ohio Rev. Code Section 5705.09(C) – Payment of bond debt from a Capital Projects Fund instead of a Bond Retirement Fund.	No	Partially corrected as finding was corrected in 2011. Repeated as Finding No. 2011-03.



Dave Yost • Auditor of State

JACKSON TOWNSHIP

MUSKINGUM 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
SEPTEMBER 11, 2012