



Dave Yost • Auditor of State

JACKSON TOWNSHIP
MUSKINGUM COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	23

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Jackson Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Basis for Adverse Opinion on 2013 General Fund and Special Revenue Fund Types

During 2013, the Township posted a receipt, provided to assist the Township with repairs and damages to certain roads from the construction of a natural gas pipeline, to the Township's General Fund in the amount of \$60,000. The effect of this proposed 2013 adjustment would decrease the General Fund cash balance by \$60,000 and increase the Special Revenue Fund type cash balance by \$60,000. The Township declined to make this adjustment.

Adverse Opinion on 2013 General Fund and Special Revenue Fund Types

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on 2013 General Fund and Special Revenue Fund Types*, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of the General Fund and Special Revenue Fund types of Jackson Township, Muskingum County, Ohio, as of December 31, 2013, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Jackson Township, Muskingum County, Ohio, as of December 31, 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Debt Service Fund type of Jackson Township, Muskingum County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 8, the Township is experiencing financial difficulties in the General Fund. Management has declined to post the aforementioned adjustment discussed in the *Basis for Adverse Opinion on 2013 General Fund and Special Revenue Fund Types* paragraph, due to the General Fund's cash balance not being sufficient to support this adjustment. Management's plan in regards to these financial difficulties is described in Note 8 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

December 18, 2014

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**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, 2013**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$23,004	\$151,815	\$17,053	\$191,872
Licenses, Permits and Fees		14,000		14,000
Gifts and Donations		270,000		270,000
Intergovernmental	11,252	122,827		134,079
Earnings on Investments	504	383		887
Miscellaneous	61,187	9,800		70,987
<i>Total Cash Receipts</i>	<u>95,947</u>	<u>568,825</u>	<u>17,053</u>	<u>681,825</u>
Cash Disbursements				
Current:				
General Government	33,201	4,173		37,374
Public Safety		139,966		139,966
Public Works		128,474		128,474
Health		32,246		32,246
Human Services	2,043			2,043
Debt Service:				
Principal Retirement			19,349	19,349
Interest and Fiscal Charges			5,999	5,999
<i>Total Cash Disbursements</i>	<u>35,244</u>	<u>304,859</u>	<u>25,348</u>	<u>365,451</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>60,703</u>	<u>263,966</u>	<u>(8,295)</u>	<u>316,374</u>
Other Financing Receipts (Disbursements)				
Transfers In			8,330	8,330
Transfers Out	(8,330)			(8,330)
Advances In	14,585	6,000	8,599	29,184
Advances Out	(14,599)	(6,000)	(8,585)	(29,184)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(8,344)</u>	<u>0</u>	<u>8,344</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	52,359	263,966	49	316,374
<i>Fund Cash Balances, January 1</i>	<u>(11,859)</u>	<u>161,402</u>	<u>1,331</u>	<u>150,874</u>
Fund Cash Balances, December 31				
Restricted		392,885	1,380	394,265
Committed		32,483		32,483
Unassigned (Deficit)	40,500			40,500
<i>Fund Cash Balances, December 31</i>	<u>\$40,500</u>	<u>\$425,368</u>	<u>\$1,380</u>	<u>\$467,248</u>

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

**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, 2012**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$23,605	\$148,071	\$17,687	\$189,363
Licenses, Permits and Fees		14,600		14,600
Gifts and Donations		50,000		50,000
Intergovernmental	13,908	111,416		125,324
Special Assessments			296	296
Earnings on Investments	80	244		324
Miscellaneous	444	2,700		3,144
<i>Total Cash Receipts</i>	<u>38,037</u>	<u>327,031</u>	<u>17,983</u>	<u>383,051</u>
Cash Disbursements				
Current:				
General Government	47,604	3,700		51,304
Public Safety		143,517		143,517
Public Works		115,181		115,181
Health		30,964		30,964
Human Services	34			34
Capital Outlay		2,000		2,000
Debt Service:				
Principal Retirement			19,349	19,349
Interest and Fiscal Charges			6,884	6,884
<i>Total Cash Disbursements</i>	<u>47,638</u>	<u>295,362</u>	<u>26,233</u>	<u>369,233</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,601)</u>	<u>31,669</u>	<u>(8,250)</u>	<u>13,818</u>
Other Financing Receipts (Disbursements)				
Transfers In		296	27,499	27,795
Transfers Out	(27,795)			(27,795)
Advances In	723	25	740	1,488
Advances Out	(765)		(723)	(1,488)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(27,837)</u>	<u>321</u>	<u>27,516</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(37,438)</u>	<u>31,990</u>	<u>19,266</u>	<u>13,818</u>
<i>Fund Cash Balances, January 1</i>	<u>25,579</u>	<u>129,412</u>	<u>(17,935)</u>	<u>137,056</u>
Fund Cash Balances, December 31				
Restricted		117,716	1,331	119,047
Committed		43,686		43,686
Unassigned (Deficit)	(11,859)			(11,859)
<i>Fund Cash Balances, December 31</i>	<u>(\$11,859)</u>	<u>\$161,402</u>	<u>\$1,331</u>	<u>\$150,874</u>

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

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Jackson Township, 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 Frazeyburg Volunteer Fire Department to provide fire and emergency medical services.

The Township participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk-sharing pool. Note 7 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 permitted by the financial reporting provisions of Ohio Revised Code §117.38 and Ohio Administrative Code §117-2-03(D). 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 financial reporting provisions of Ohio Revised Code §117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Fire District Fund – This fund receives tax levy money for fire protection and emergency medical services.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

International Truck Note Retirement Fund – This fund receives property tax money for repayment of a note related to the purchase of road equipment.

Frew Park Note Retirement Fund – This fund receives property tax money for the repayment of bonds related to the acquisition of land for ball fields.

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 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. Appropriations lapse at year end.

2. Estimated Resources

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

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.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance

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

1. Nonspendable

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

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.

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
MUSKINGUM COUNTY**

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

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:

	2013	2012
Demand deposits	\$467,248	\$150,874

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$92,261	\$95,947	\$3,686
Special Revenue	286,562	568,825	282,263
Debt Service	26,695	25,383	(1,312)
Total	\$405,518	\$690,155	\$284,637

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,788	\$43,574	\$1,214
Special Revenue	361,401	304,859	56,542
Debt Service	26,695	25,348	1,347
Total	\$432,884	\$373,781	\$59,103

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,761	\$38,037	\$276
Special Revenue	267,804	327,327	59,523
Debt Service	18,365	45,482	27,117
Total	\$323,930	\$410,846	\$86,916

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$105,820	\$75,433	\$30,387
Special Revenue	376,912	295,362	81,550
Debt Service	26,895	26,233	662
Total	\$509,627	\$397,028	\$112,599

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

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

3. Budgetary Activity (Continued)

Contrary to Ohio law, the Township posted \$60,000 in restricted monies received for Township roads to the General Fund rather than a special fund. In addition, contrary to Ohio law, transfers of \$6,135 and \$2,294 from the General Fund to the Frew Park Note Retirement Fund were posted in 2013 and 2012, respectively, and an advance of \$8,592 from the General Fund to the International Truck Note Retirement Fund was posted during 2013, without approval of the Board of Trustees. Also contrary to Ohio law, for the year ended December 31, 2012, appropriations exceeded estimated resources in the amounts of \$51,045, \$5,611, and \$8,529, in the General, Fire District, and Frew Park Note Retirement funds, respectively.

4. Property Tax

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

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

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

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$83,739	5.48%
General Obligation Notes	<u>15,708</u>	4.25%
Total	<u><u>\$99,447</u></u>	

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

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:

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

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

5. Debt (Continued)

Year ending December 31:	General Obligation Bonds	General Obligation Notes
2014	\$8,130	\$16,327
2015	7,931	
2016	7,731	
2017	7,532	
2018	7,331	
2019-2023	33,669	
2024-2026	17,805	
Total	\$90,129	\$16,327

6. Retirement System

The Township's employees 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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

7. Risk Management

Risk Pool Membership

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

Pursuant to § 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.

OPRM coverage programs 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 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

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

7. Risk Management (Continued)

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 equity at December 31, 2012 and 2013.

	2012	2013
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	\$6,413,188	\$5,805,909

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

8. Financial Condition

At December 31, 2013, the following funds had adjustments which the Township declined to make in the following amounts:

	12/31/13 Balance	Adjustments Not Made	Effect on 12/31/13 Balance
General	\$40,500	(\$60,000)	(\$19,500)
Special Revenue	425,368	60,000	485,368

The Township has no formal plans for increasing the revenue stream of the General Fund but is monitoring all expenditures of the General Fund.

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Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Jackson Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Also, we issued an adverse opinion on the 2013 regulatory financial statements for the General Fund and Special Revenue Fund types due to the Township declining to post adjustments for a receipt posted to the incorrect fund.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001, 2013-004, 2013-005 and 2013-007 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, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2013-001 through 2013-004 and 2013-006.

Entity's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

December 18, 2014

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Finding for Adjustment, Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(D) requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received.

Ohio Rev. Code § 5705.10(I) provides that money paid into a fund must be used only for the purposes which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

In addition, the "Jackson Township Supplemental Road Use Agreement" requires monies received for a one-time lump sum payment to be used to assist the Township on any repairs or damages to the Township roads identified in the appendix to the agreement.

The Township received \$60,000 in accordance with the aforementioned agreement; however, the Township posted these monies to the Township's General Fund rather than crediting these monies to a special fund restricted for the purposes specified in the agreement.

As a result of the foregoing facts, a finding for adjustment is hereby issued against the Township's General Fund in the amount of \$60,000 and in favor of a special revenue fund to be established by the Township for the above specified purposes.

The Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements.

The above adjustment would have resulted in a negative General Fund balance of (\$19,500) at December 31, 2013 if it was posted to the financial statements.

In addition, the General Fund had a negative fund balance of (\$11,859) at December 31, 2012.

We recommend the Township credit receipts to a special fund based upon the restrictions placed on the monies when they are received. Also, the Township's management should ensure that money from one fund is not used to cover the expenses of another fund.

Officials' Response: On December 5, 2014 at the regular meeting of Jackson Township Trustees, the Fiscal Officer reviewed audit findings with Trustees. The audit questioned the placement of \$60,000 received from Enterprise Liquids to the General Fund. It was moved to leave the Enterprise payment as is until the General Fund can show a positive status.

FINDING NUMBER 2013-002

Noncompliance

Ohio Rev. Code § 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.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-002 (Continued)

Noncompliance - Ohio Rev. Code § 5705.14 (Continued)

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 Board of Trustees during the audit period. Interfund transfers lacking Board approval were noted from the General Fund to the Frew Park Note Retirement Fund in 2012 and 2013 in the amounts of \$6,135 and \$2,294, respectively.

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).

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2013-003

Noncompliance

Ohio Rev. Code § 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.

During 2013, an advance was posted to the system from the General Fund to the International Truck Note Retirement Fund in the amount of \$8,592; however, no approval of the Board of Trustees was noted in the Township minutes.

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.

Officials' Response: We did not receive a response from Officials to this finding.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-004

Noncompliance and Material Weakness

Ohio Rev. Code § 505.24(C) states that, 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.

The Board of Trustees was paid from the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Cemetery Fund. For 2012, we noted a total of 12 payments for Trustees' salaries in which supporting documentation or a certification was not on file to support the restricted funds from which the Trustees were paid.

This resulted in an adjustment of 2012 salaries totaling \$8,271 to the General Fund from the Gasoline Tax, Road and Bridge, and Cemetery Funds in the amounts of \$2,933, \$4,974, and \$364, respectively. This adjustment, to which the Township has agreed, has been reflected in the accompanying financial statements.

We recommend, if the Board adopts, by unanimous vote, a method of compensation consisting of an annual salary, the Trustees 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. Each Trustee's salary and fringe benefits should be allocated to the corresponding funds consistent with the certification, and certifications should be maintained on file.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2013-005

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 did not accurately post appropriations adopted by the Board of Trustees and estimated receipts certified by the Budget Commission to the accounting system. The following tables summarize these variances:

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-005 (Continued)

Material Weakness (Continued)

Fund	Appropriations Adopted by Township Trustees	Appropriations per the UAN system	Variance
For the year ending December 31, 2013:			
General	\$44,788	\$43,952	(\$836)
Gasoline Tax	109,899	107,192	(2,707)
Cemetery	40,003	40,122	119
For the year ending December 31, 2012:			
General	105,820	150,857	(45,037)
Road and Bridge	40,157	40,062	95
Cemetery	51,026	52,026	(1,000)
Road and Bridge District	29,477	30,327	(850)
Fund	Estimated Receipts per Budget Commission	Estimated Receipts posted to the UAN system	Variance
For the year ending December 31, 2013:			
General	\$92,261	\$97,458	(\$5,197)
Motor Vehicle License Tax	7,500	7,520	(20)
Gasoline Tax	85,000	85,225	(225)
Road and Bridge	27,198	27,525	(327)
Cemetery	25,000	18,000	7,000
Cemetery Bequest	0	1,000	(1,000)
Road and Bridge District	30,091	28,100	1,991
General Bond Retirement	0	100	(100)
For the year ending December 31, 2012:			
General	37,761	88,546	(50,785)
Motor Vehicle License Tax	7,500	7,515	(15)
Gasoline Tax	85,000	85,600	(600)
Road and Bridge	25,719	25,475	244
Cemetery	12,000	23,000	(11,000)
Cemetery Bequest	0	50,000	(50,000)
Fire District	109,279	109,200	79
Road and Bridge District	28,306	27,050	1,256
Frew Park Note Retirement	0	8,529	(8,529)

JACKSON TOWNSHIP
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)

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

FINDING NUMBER 2013-005 (Continued)

Material Weakness (Continued)

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, which was agreed to by management, reported in Note 3 to the financial statements in order to accurately present approved appropriations and budgeted receipts.

We recommend the Fiscal Officer accurately post estimated receipts as approved by the Budget Commission and appropriations as approved by the Board of Trustees into the computer system. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2013-006

Noncompliance

Ohio Rev. Code § 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.

For the year ended December 31, 2012, appropriations exceeded estimated resources by \$51,045 in the General Fund, by \$5,611 in the Fire District Fund and by \$8,529 in the Frew Park Note Retirement Fund. Failure to limit the Township's appropriations to estimated resources could result in deficit spending to occur.

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.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2013-007

Material Weakness

Governmental Accounting Standards Board (GASB) Statement No. 54, effective for periods beginning after June 15, 2010, requires five new fund balance classifications (nonspendable, restricted, committed, assigned, and unassigned) related to constraints placed upon the use of resources reported in governmental funds and clarifies the existing governmental fund type definitions. In addition, GASB Statement No. 54 ¶10 defines committed fund balance as those amounts that can be used only for specific purposes pursuant to constraints imposed by the highest level of decision making authority.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-007 (Continued)

Material Weakness (Continued)

For 2013 and 2012, the Township improperly classified the fund balance of the Road and Bridge Fund, which accounts for a tax levy from inside millage, in the amounts of \$23,869 and \$35,072, respectively, as restricted rather than committed. As a result, audit adjustments, to which management has agreed, is reflected in the accompanying financial statements.

We recommend that the Township report fund balances on their annual financial statements in accordance with GASB Statement No. 54. The Township may review Auditor of State Bulletin 2011-004 for further guidance on classifying the Township's fund balances and properly reporting fund balances in their annual financial statements.

Officials' Response: We did not receive a response from Officials to this finding.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-01	Noncompliance citation and material weakness - Ohio Rev. Code § 505.24(C), Trustee's pay from funds other than the General Fund did not agree to supporting documentation.	No	Not corrected. Finding has been repeated as Finding No. 2013-004.
2011-02	Noncompliance citation - Ohio Rev. Code § 5705.41(D)(1), obtaining the fiscal officer's certification prior to commitment.	No	Partially corrected. Finding has been reported in a separate letter to management.
2011-03	Noncompliance citation and material weakness – Ohio Rev. Code § 5705.09(C), establishing a bond retirement fund to repay serial bonds, notes and certificates of indebtedness.	Yes	
2011-04	Noncompliance citation - Ohio Rev. Code § 5705.38(A), appropriations were not always documented as approved at the fund/function level or filed with the County Auditor.	Yes	
2011-05	Noncompliance citation - Ohio Rev. Code § 5705.39, appropriations exceeded estimated resources in certain funds.	No	Not corrected. Finding has been repeated as Finding No. 2013-006.
2011-06	Noncompliance citation and material weakness - Ohio Rev. Code § 5705.10, advances were not properly approved by the Board.	No	Not corrected. Finding has been repeated as Finding No. 2013-003.
2011-07	Noncompliance citation and material weakness - Ohio Rev. Code § 5705.14, inter-fund transfers were not properly approved by the Board.	No	Not corrected. Finding has been repeated as Finding No. 2013-002.
2011-08	Material weakness – Budgetary amounts did not agree between the accounting system and formal budgetary documents.	No	Not corrected. Finding has been repeated as Finding No. 2013-005.

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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
DECEMBER 30, 2014**