

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

AUDIT REPORT

JANUARY 1, 2016 - DECEMBER 31, 2017



Dave Yost • Auditor of State

Township Trustees
Jackson Township
13776 Hamby Hill Road
Frazeyburg, Ohio 43822

We have reviewed the *Independent Auditors' Report* of the Jackson Township, Muskingum County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Jackson Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 5, 2018

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**JACKSON TOWNSHIP
MUSKINGUM COUNTY
JANUARY 1, 2016 - DECEMBER 31, 2017**

TABLE OF CONTENTS

Table of Contents	(i)
Independent Auditors' Report	1-2
Financial Statements	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2017	3
2017 Notes to the Financial Statements	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2016	11
2016 Notes to the Financial Statements	12
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards.	19
Schedule of Audit Findings	21
Schedule of Prior Audit Findings	24

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

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

To the Township Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Jackson Township, Muskingum County, as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility For the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonable determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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 Jackson Township, Muskingum County as of December 31, 2017 and 2016, or changes in financial position thereof for the years then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

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. In 2016 the Township made a transfer that was not in compliance in the amount of \$7,117. The Township declined to make this adjustment.

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, based on the effects of the matters described in the basis for Adverse Opinion on Regulatory Basis paragraph, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Jackson Township, Muskingum County as of December 31, 2017 and 2016, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 22, 2018, on our consideration of Jackson 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.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 22, 2018

**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, 2017**

	<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	\$ 26,437	\$ 229,133	\$ 7,175	\$ 262,745
Licenses, Permits and Fees	-	7,350	-	7,350
Intergovernmental	17,820	120,993	-	138,813
Earnings on Investments	721	746	-	1,467
Miscellaneous	2,165	3,800	7,174	13,139
Total Cash Receipts	<u>47,143</u>	<u>362,022</u>	<u>14,349</u>	<u>423,514</u>
Cash Disbursements:				
Current:				
General Government	26,856	9,396	-	36,252
Public Safety	-	132,121	-	132,121
Public Works	-	155,430	-	155,430
Health	-	31,493	-	31,493
Human Services	-	-	-	-
Capital Outlay	-	90,941	-	90,941
Debt Service:				
Principal Retirement	-	-	16,175	16,175
Interest and Fiscal Charges	-	-	5,592	5,592
Total Cash Disbursements	<u>26,856</u>	<u>419,381</u>	<u>21,767</u>	<u>468,004</u>
Excess of Receipts Over/(Under) Disbursements	20,287	(57,359)	(7,418)	(44,490)
Other Financing Receipts (Disbursements)				
Transfers-In	-	84,005	7,532	91,537
Transfers-Out	(7,532)	(84,005)	-	(91,537)
Total Other Financing Receipts (Disbursements)	<u>(7,532)</u>	<u>-</u>	<u>7,532</u>	<u>-</u>
Net Change in Fund cash Balance	12,755	(57,359)	114	(44,490)
Fund Cash Balances, January 1	<u>64,234</u>	<u>464,938</u>	<u>1,380</u>	<u>530,552</u>
Fund Cash Balances, December 31				
Committed	-	79,271	-	79,271
Restricted	-	328,308	1,494	329,802
Unassigned (Deficit)	76,989	-	-	76,989
Fund Cash Balances, December 31	<u>\$ 76,989</u>	<u>\$ 407,579</u>	<u>\$ 1,494</u>	<u>\$ 486,062</u>

See notes to financial statements.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. REPORTING ENTITY

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 publically-elected three-member Board of Trustees directs the Township. The Township general government services, 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 a public entity risk pool. Note 6 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

B. Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

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

Road and Bridge Fund – This fund receives real estate tax money to pay for constructing, maintaining, and repairing Township roads.

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

**JACKSON TOWNSHIP
MUSKINGUM COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Fund:

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.

Case Backhoe Note Fund – This fund accounts for the payments on the Case Backhoe debt.

C. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 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 Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

D. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control and appropriations may not exceed estimated resources. The Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2017 appears in Note 3.

E. Deposits and Investments

The Township's accounting basis includes investment as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets

The Township records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

H. 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:

Nonspendable

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

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.

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.

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.

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.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2017 is as follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 36,339	\$ 47,143	\$ 10,804
Special Revenue	323,945	446,027	122,082
Debt Service	16,133	21,881	5,748
Total	\$ 376,417	\$ 515,051	\$ 138,634

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 72,600	\$ 34,388	\$ 38,212
Special Revenue	796,143	503,386	292,757
Debt Service	23,665	21,767	1,898
Total	\$ 892,408	\$ 559,541	\$ 332,867

Contrary to ORC 5705.41(D), the Township made expenditures prior to certification.

Contrary to ORC 5705.39, the Township had various funds where appropriations exceeded estimated resources.

4. EQUITY IN POOLED CASH

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:

Demand Deposits	2017 \$ 486,062
Total Deposits and Investments	\$ 486,062

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

**JACKSON TOWNSHIP
MUSKINGUM COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. 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.

6. RISK MANAGEMENT

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

The Township pays the State Workers' Compensation System a premium based on a rate of per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 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.

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. Until November 1, 2016, the OPRM retained 47% 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

6. RISK MANAGEMENT (Continued)

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

The Pools audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016 (the latest information available).

	2016
Assets	\$ 14,765,712
Liabilities	(9,531,506)
Retained Earnings	\$ 5,234,206

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

7. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant's gross salaries. The Township has paid all contributions required through December 31, 2017.

8. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

9. PUBLIC ENTITY RISK POOL

The Township belongs to the Ohio Government Risk Management Plan (the Plan) an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management plan. Member governments pay annual premiums to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

10. DEBT

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest rate
General Obligation Bonds	\$ 65,534	5.48%
Case Backhoe	46,720	3.15%
Total	\$ 112,254	

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. This is paid from the Frew Note Retirement Fund.

In 2016, the Township entered into an agreement to purchase a backhoe for \$65,910 with interest at 3.15%.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

10. DEBT (Continued)

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

Year Ended December 31	Land Acquisition	Case Backhoe
2018	\$ 7,331	\$ 14,234
2019	7,133	14,234
2020	6,933	14,234
2021	6,734	7,117
2022	6,534	-
2023-2027	29,676	-
2028-2032	24,688	-
2033-2037	16,159	-
Total	<u>\$ 105,188</u>	<u>\$ 49,819</u>

11. FINANCIAL DIFFICULTIES

At December 31, 2017, the following funds had adjustments found in 2013 audit and a 2016 transfer that was not in compliance, which the Township declined to make in the following amounts:

Fund	12/31/17 Balance	Adjustments Not Made	Effect on 12/31/17 Balance
General	\$ 76,989	\$ (60,000)	\$ 16,989
Special Revenue	407,579	67,117	474,696
Debt Service	1,494	(7,117)	(5,623)

**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, 2016**

	<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	\$ 26,347	\$ 246,365	\$ -	\$ 272,712
Charges for Services	-	8,375	-	8,375
Licenses, Permits and Fees	-	3,900	-	3,900
Intergovernmental	17,781	119,258	-	137,039
Earnings on Investments	726	754	-	1,480
Miscellaneous	6,964	6,900	-	13,864
Total Cash Receipts	<u>51,818</u>	<u>385,552</u>	<u>-</u>	<u>437,370</u>
Cash Disbursements:				
Current:				
General Government	32,810	11,691	-	44,501
Public Safety	-	140,880	-	140,880
Public Works	-	135,083	-	135,083
Health	-	27,630	-	27,630
Human Services	429	-	-	429
Capital Outlay	-	85,928	-	85,928
Debt Service:				
Principal Retirement	-	-	10,297	10,297
Interest and Fiscal Charges	-	-	4,551	4,551
Total Cash Disbursements	<u>33,239</u>	<u>401,212</u>	<u>14,848</u>	<u>449,299</u>
Excess of Receipts Over/(Under) Disbursements	18,579	(15,660)	(14,848)	(11,929)
Other Financing Receipts (Disbursements)				
Transfers-In	-	-	14,848	14,848
Other Debt Proceeds	-	65,910	-	65,910
Transfers-Out	(7,731)	(7,117)	-	(14,848)
Total Other Financing Receipts (Disbursements)	<u>(7,731)</u>	<u>58,793</u>	<u>14,848</u>	<u>65,910</u>
Special Item	-	1,220	-	1,220
Net Change in Fund cash Balance	10,848	44,353	-	55,201
Fund Cash Balances, January 1	<u>53,482</u>	<u>421,381</u>	<u>1,380</u>	<u>476,243</u>
Fund Cash Balances, December 31				
Committed	-	68,111	-	68,111
Restricted	-	397,623	1,380	399,003
Unassigned (Deficit)	64,330	-	-	64,330
Fund Cash Balances, December 31	<u>\$ 64,330</u>	<u>\$ 465,734</u>	<u>\$ 1,380</u>	<u>\$ 531,444</u>

See notes to financial statements.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. REPORTING ENTITY

Description of the Entity

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The Township participates in a public entity risk pool. Note 6 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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B. Fund Accounting

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

**JACKSON TOWNSHIP
MUSKINGUM COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Fund:

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.

Case Backhoe Note Fund – This fund accounts for the payments on the Case Backhoe debt.

C. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 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 Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

D. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control and appropriations may not exceed estimated resources. The Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 appears in Note 3.

E. Deposits and Investments

The Township's accounting basis includes investment as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets

The Township records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

H. 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:

Nonspendable

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

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.

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.

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.

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.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2016 is as follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 40,857	\$ 51,818	\$ 10,961
Special Revenue	332,385	452,682	120,297
Debt Service	14,848	14,848	-
Total	\$ 388,090	\$ 519,348	\$ 131,258

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 67,648	\$ 40,970	\$ 26,678
Special Revenue	742,987	408,329	334,658
Debt Service	14,835	14,848	(13)
Total	\$ 825,470	\$ 464,147	\$ 361,323

Contrary to ORC 5705.41(D), the Township made expenditures prior to certification.

Contrary to ORC 5705.41(B), the Township's Case Backhoe Fund had expenditures greater than appropriations by \$13.

4. EQUITY IN POOLED CASH

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:

Demand Deposits	2016 \$ 531,444
Total Deposits and Investments	\$ 531,444

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

**JACKSON TOWNSHIP
MUSKINGUM COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. 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.

6. RISK MANAGEMENT

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

The Township pays the State Workers' Compensation System a premium based on a rate of per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 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.

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. Until November 1, 2016, the OPRM retained 47% 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

6. RISK MANAGEMENT (Continued)

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

The Pools audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016 (the latest information available).

	2016
Assets	\$ 14,765,712
Liabilities	(9,531,506)
Retained Earnings	\$ 5,234,206

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

7. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant's gross salaries. The Township has paid all contributions required through December 31, 2016.

8. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

9. PUBLIC ENTITY RISK POOL

The Township belongs to the Ohio Government Risk Management Plan (the Plan) an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management plan. Member governments pay annual premiums to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

10. DEBT

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest rate
General Obligation Bonds	\$ 69,175	5.48%
Case Backhoe	59,254	3.15%
Total	\$ 128,429	

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. This is paid from the Frew Note Retirement Fund.

In 2016, the Township entered into an agreement to purchase a backhoe for \$65,910 with interest at 3.15%.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

10. DEBT (Continued)

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

Year Ended December 31	Land Acquisition	Case Backhoe
2017	\$ 7,531	\$ 14,234
2018	7,331	14,234
2019	7,133	14,234
2020	6,933	14,234
2021	6,734	7,117
2022-2026	30,674	-
2027-2031	25,686	-
2032-2036	20,697	-
Total	<u>\$ 112,719</u>	<u>\$ 64,053</u>

11. FINANCIAL DIFFICULTIES

At December 31, 2016, the following funds had adjustments found in 2013 audit and a 2016 transfer that was not in compliance, which the Township declined to make in the following amounts:

Fund	12/31/16 Balance	Adjustments Not Made	Effect on 12/31/16 Balance
General	\$ 64,330	\$ (60,000)	\$ 4,330
Special Revenue	465,734	67,117	532,851
Debt Service	1,380	(7,117)	(5,737)

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' 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 Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Jackson Township, Muskingum County as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 22, 2018, which was adverse as the Township did not make prior audit adjustments. We also noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Jackson 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 first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider Findings 2017-001 and 2017-003 described in the accompanying schedule of findings to be material weaknesses.

Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson 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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed three instances of noncompliance or other matters we must report under *Government Auditing Standards* described in the accompanying Schedule of Findings as items 2017-002, 2017-003, and 2017-004.

Purpose of this Report

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

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 22, 2018

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Material Weakness – Posting Receipts Budget

During 2017, the Fiscal Officer did not accurately post budgeted receipts and amendments made to them to the accounting system. Variances existed between the Certificate of Estimated Resources and the amounts posted to the accountings system. The following table details these variances:

		Amount Per Last		Amounts Posted To	
Fund	Year	Amended Certificate		Accounting System	Variance
General	2017	\$ 36,339		\$ 41,074	\$ (4,735)
Cemetery	2017	22,889		116,894	(94,005)
Fire District	2017	125,908		132,491	(6,583)

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. Footnote 3 shows the correct amount of estimated resources.

We recommend the Fiscal Officer accurately post estimated receipts as approved by the Budget Commission into the computer system. This procedure will help ensure more useful comparisons of budget vs. 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.

FINDING NUMBER 2017-002

Noncompliance

Ohio Revised 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.

For the year ended December 31, 2017, appropriations exceeded estimated resources by \$88,693 in the Cemetery Fund, BY \$6,583 in the Fire District Fund and by \$7,532 in the Frew Note Retirement Fund.

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.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-003

Noncompliance/Material Weakness – Financial Reporting

Ohio Admin. Code Section 117-2-02 (A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transaction, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code Section 117-2-03.

As a result of audit procedures, errors were noted that required reclassification to the financial statement as follows:

The following is related to 2017:

- A reclassification in the amount of \$3,251, \$5,820, \$806, \$13,708 and \$1,367 was made from Property and Other Local Taxes to Intergovernmental Revenue in the General Fund, Road & Bridge Fund, Cemetery Fund, Fire District Fund and Road District Fund, respectively for the incorrect posting of Rollbacks.
- A reclassification in the amount of \$2,500 from Special Items to Intergovernmental Revenue for a grant received.
- A reclassification in the amount of \$5,534 from Public Works to Capital Outlay in the Road & Bridge Fund.
- A reclassification in the amount of \$27,058 from Public Safety to Public Works in the Road District Fund.

The following is related to 2016

- A reclassification in the amount of \$3,262, \$3,549, \$736, \$13,893 and \$3,568 was made from Property and Other Local Taxes to Intergovernmental Revenue in the General Fund, Road & Bridge Fund, Cemetery Fund, Fire District Fund and Road District Fund, respectively for the incorrect posting of Rollbacks.
- A reclassification in the amount of \$2,500 from Special Items to Intergovernmental Revenue for a grant received.
- A reclassification in the amount of \$8,375 from Licenses, Permits and Fees to Charges for Services in the Cemetery Fund.
- A reclassification in the amount of \$20,018 from Public Safety to Capital Outlay in the Road District Fund.
- A reclassification in the amount of \$35,796 from Public Safety to Public Works in the Road District Fund.
- An adjustment to Other Debt Proceeds and Capital Outlay in the amount of \$65,910 in the Road & Bridge Fund for a new lease.

Sound financial reporting is the responsibility of the Township and is essential to help ensure the information provided to the readers of financial statements is complete and accurate. To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures to identify and correct errors and omissions.

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

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-004

Noncompliance

Ohio Revised Code Section 5705-.05-.06, 5705.14, 5705.15, and 5705.16 and HB 49 Section 387.20 describes that no transfer can be made from one fund of a subdivision to any other fund unless it meets certain requirements stated in the above code sections.

In 2016, the Township made a transfer in the amount of \$7,117 from the Road District Fund to the Case Backhoe Debt Service Fund to provide funds for paying the debt, which did not meet any of the exceptions stated in the code sections above. This should result in an adjustment to put the money back to the Road District Fund and then transfer the money from the General Fund which would be in compliance. The Township has declined to make this adjustment.

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

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-001	Finding for adjustment	No	Not Corrected. Entry has not been made as of December 31, 2017
2015-001	Material Weakness Budgetary amounts per certificate not posted properly	No	Not Corrected - Refer to Findng 2017-001
2015-002	ORC 5705.39 Appropriation greater than estimated resources	No	Not Corrected - Refer to Findng 2017-002



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
OCTOBER 18, 2018