



Dave Yost • Auditor of State



JACKSON TOWNSHIP  
NOBLE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Jackson Township  
Noble County  
18614 Crooked Tree Road  
Dexter City, Ohio 45727

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Jackson Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011.

### ***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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair 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 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 Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy 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, 2012 and 2011, or changes in financial position thereof for the years then ended.

***Basis for Adverse Opinion on Regulatory Basis of Accounting***

During the audit covering January 1, 2007 to December 31, 2008, the Trustees' salaries were paid 100% from the Gasoline Tax Fund. The Trustees' timesheets did not reflect any board meetings attended during the year as a part of their administrative duties. The amount that should have been paid out of the General Fund for these administrative duties was \$2,643. The Township declined to make these adjustments during the prior audit periods and the Township has declined to make these adjustments this audit period.

During the prior audit covering January 1, 2009 to December 31, 2010, the Trustees' salaries were paid 100% from the Gasoline Tax Fund. The Trustees should have been paid \$4,203 for administrative duties, such as attending board meetings, from the General Fund. The Township declined to make these adjustments during the prior audit period and the Township has declined to make these adjustments this audit period.

During the audit covering January 1, 2011 to December 31, 2012, the Trustees' were paid \$2,444 from the Gasoline Tax Special Revenue Fund without supporting documentation or certifications during November and December 2011 and were paid \$26,630 from the Gasoline Tax Special Revenue Fund without the required documentation or certification of their hours worked in 2012. These costs of \$29,074 should have been charged to the General Fund. In addition, the Fiscal Officer was paid \$825 from the Gasoline Tax Special Revenue Fund in 2011 and \$5,305 from the Gasoline Tax and \$2,122 from the Road and Bridge, Special Revenue Funds in 2012 without the required documentation or certification of her hours. These costs of \$8,252 should have been paid from the General Fund.

***Adverse Opinion on Regulatory Basis of Accounting***

In our opinion, because of the significance of the matters discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting*, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Jackson Township, Noble County, Ohio, as of December 31, 2012 and 2011, 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 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during 2011 the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

As discussed in Note 9, the Township is experiencing financial difficulties. Management has declined to post the aforementioned adjustments discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraphs, due to the General Fund's cash balance not being sufficient to support these adjustments. Management's plan in regards to these financial difficulties is described in Note 9 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 July 2, 2013, 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 Council's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

July 2, 2013

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**JACKSON TOWNSHIP  
NOBLE 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)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$10,455	\$20,657		\$31,112
Intergovernmental	6,892	115,272		122,164
Special Assessments	564			564
Earnings on Investments	63	38		101
Miscellaneous		409		409
<i>Total Cash Receipts</i>	<u>17,974</u>	<u>136,376</u>	<u>\$0</u>	<u>154,350</u>
<b>Cash Disbursements</b>				
Current:				
General Government	13,237	5,044		18,281
Public Safety		10,268		10,268
Public Works		99,719		99,719
Health	1,339	3,730		5,069
<i>Total Cash Disbursements</i>	<u>14,576</u>	<u>118,761</u>	<u>0</u>	<u>133,337</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,398</u>	<u>17,615</u>	<u>0</u>	<u>21,013</u>
<i>Fund Cash Balances, January 1, (Restated See Note 4)</i>	<u>9,058</u>	<u>98,119</u>	<u>132</u>	<u>107,309</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		115,734	132	115,866
Unassigned (Deficit)	12,456			12,456
<i>Fund Cash Balances, December 31</i>	<u>\$12,456</u>	<u>\$115,734</u>	<u>\$132</u>	<u>\$128,322</u>

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

**JACKSON TOWNSHIP  
NOBLE COUNTY**

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

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$7,692	\$19,020		\$26,712
Intergovernmental	7,037	106,220		113,257
Earnings on Investments	100	216		316
Miscellaneous		359		359
<i>Total Cash Receipts</i>	<u>14,829</u>	<u>125,815</u>	<u>\$0</u>	<u>140,644</u>
<b>Cash Disbursements</b>				
Current:				
General Government	13,171	23,219		36,390
Public Safety		2,048		2,048
Public Works		77,150		77,150
Health	2,139	2,694		4,833
Other		2,100		2,100
<i>Total Cash Disbursements</i>	<u>15,310</u>	<u>107,289</u>	<u>0</u>	<u>122,599</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(481)</u>	<u>18,526</u>	<u>0</u>	<u>18,045</u>
<b>Other Financing Receipts (Disbursements)</b>				
Advances In	5,500	3,000		8,500
Advances Out	(3,000)	(5,500)		(8,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>2,500</u>	<u>(2,500)</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	2,019	16,026	0	18,045
<i>Fund Cash Balances, January 1</i>	<u>1,474</u>	<u>87,658</u>	<u>132</u>	<u>89,264</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		103,684	132	103,816
Unassigned (Deficit)	3,493			3,493
<i>Fund Cash Balances, December 31</i>	<u>\$3,493</u>	<u>\$103,684</u>	<u>\$132</u>	<u>\$107,309</u>

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

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Jackson Township, Noble 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, fire protection and emergency medical services. The Township contracts with the Village of Beverly and the Caldwell Volunteer Fire Company to provide fire and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. OTARMA is a risk-sharing pool available to Ohio townships for insurance coverage. Note 8 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2012 and 2011 budgetary activity appears in Note 5.

**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.

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Fund Balance (Continued)**

**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 balances also incorporate 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.

**2. Change in Accounting Principle**

For fiscal year 2011, the Township implemented Government Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

**3. 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:

	<u>2012</u>	<u>2011</u>
Demand deposits	<u>\$128,322</u>	<u>\$107,309</u>

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

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**4. Restatement of Fund Balances**

For the year ended December 31, 2011, an adjustment resulted in fund balance restatement.

Governmental Funds:	Fund Balances at December 31, 2011	Restatement Amount	Fund Balances at January 1, 2012
General	\$3,493	\$5,565	\$9,058
Special Revenue	103,684	(5,565)	\$98,119
Debt Service	132		\$132
Total	<u>\$107,309</u>	<u>\$0</u>	<u>\$107,309</u>

The changes in fund balances for the General and Special Revenue are the result of dissolving the Oil Well Fund, Special Revenue fund type that was created in 1980.

**5. Budgetary Activity**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$25,186	\$17,974	(\$7,212)
Special Revenue	132,968	136,376	3,408
Total	<u>\$158,154</u>	<u>\$154,350</u>	<u>(\$3,804)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$15,105	\$14,576	\$529
Special Revenue	211,118	118,761	92,357
Total	<u>\$226,223</u>	<u>\$133,337</u>	<u>\$92,886</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,035	\$14,829	\$794
Special Revenue	126,835	125,815	(1,020)
Total	<u>\$140,870</u>	<u>\$140,644</u>	<u>(\$226)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$15,127	\$15,310	(\$183)
Special Revenue	181,993	107,289	74,704
Total	<u>\$197,120</u>	<u>\$122,599</u>	<u>\$74,521</u>

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**6. Property Tax**

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**7. Retirement System**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

**8. Risk Management**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**8. Risk Management (Continued)**

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	(9,355,082)	(9,718,792)
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
\$2,723	\$2,720

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



**JACKSON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**9. Financial Difficulties**

At December 31, 2011, the following funds had adjustments which the Township declined to make in the following amounts:

Fund	December 31, 2011 Balance	Adjustments Not Made	Effect on December 31, 2011 Balance
General	\$ 3,493	\$ (10,115)	\$ (6,622)
Special Revenue	103,684	10,115	113,799

At December 31, 2012, the following funds had adjustments which the Township declined to make in the following amounts:

Fund	December 31, 2012 Balance	Adjustments Not Made	Effect on December 31, 2012 Balance
General	\$ 12,456	\$ (44,172)	\$ (31,716)
Special Revenue	115,734	44,172	159,906

The Township continues to monitor 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  
Noble County  
18614 Crooked Tree Road  
Dexter City, Ohio 45727

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, Noble County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated July 2, 2013, wherein we noted the Township has adopted Governmental Accounting Standards Board statement No. 54. We also noted the Township followed accounting financial reporting provisions of Ohio Rev. Code Section 117.38 and the Ohio Administrative Code Section 117-2-03 permit, described in Note 1. We issued an adverse opinion on the 2012 and 2011 regulatory financial statements due to the Township declining to make adjustments for mispostings.

### ***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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council'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 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 2012-001 through 2012-003 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 2012-001 and 2012-002.

***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 Council'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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

July 2, 2013

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-001**

**Finding for Adjustment/Noncompliance Citation/Material Weakness**

During the prior audit period January 1, 2007 to December 31, 2008, the Township's financial records reflected the Trustees' salaries entirely paid out of the Gasoline Tax Fund. The Trustees' timesheets did not reflect any board meetings attended during the year as a part of their administrative duties. The amount that should have been paid out of the General fund for these administrative duties was \$1,115 for 2007 and \$1,528 for 2008.

For the audit period January 1, 2009 to December 31, 2010, the Fiscal Officer did not pay the Board of Trustee salaries from the General Fund for time spent for administrative duties such as meetings in the amount of \$2,076 for 2009 and \$2,127 for 2010.

Ohio Rev. Code Section 505.24(C), as it existed during this time period, set forth the method by which township Trustees' compensation should be allocated. This Section is amplified by Ohio Attorney General (OAG) Opinion No. 2004-036. It required that compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion No. 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the Trustees document all time spent on township business and the type of service(s) performed, in a manner similar to Trustees paid per diem compensation. If Trustees do not document their time, then no part of salaries may be paid from these other funds.

Subsequent to HB 153, passed in 2011, Ohio Rev. Code Sections 505.24 and 507.09 require township trustees and fiscal officers, respectively, to certify the amount of work performed on restricted funds. After the passage of HB 153, the Trustees discontinued the practice of documenting their time on timesheets and did not prepare any payroll certifications during November and December 2011 and all of 2012.

A finding for adjustment is hereby issued against the Jackson Township General Fund, in the amount of \$2,444 in 2011 and \$26,630 in 2012, and in favor of the Jackson Township Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$2,444 in 2011 and \$26,630 in 2012.

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

We recommend the Township review Auditor of State Bulletin 2011-007 and adopt formal administrative procedures regarding documenting the time spent by the Board of Trustees on various duties that will be charged to funds other than the General Fund. Beginning in September 2011, this would include signing a certification of the allocation of payroll by each Trustee for each monthly pay period. The fiscal officer should not distribute the Trustees' salary until such signed certification is obtained. If they are paid 100% out of the general fund, no certification is required.

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-002**

**Finding for Adjustment/Noncompliance Citation/Material Weakness**

Ohio Revised Code Section 507.09 states that a township fiscal officer may be compensated from the township general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each fund. A township fiscal officer must document the amount of time the township fiscal officer spends providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the township general fund or from other township funds in such proportions as the kinds of services performed

Subsequent to HB 153, passed in 2011, Ohio Rev. Code Sections 505.24 and 507.09 require township trustees and fiscal officers, respectively, to certify the amount of work performed on restricted funds. After the passage of HB 153, the Fiscal Officer started to allocate a portion of her salary to funds other than the General Fund without using certifications or any other means of documentation. During the period November and December 2011, the Fiscal Officer's salary was paid \$825 from the Gasoline Tax Fund, Special Revenue fund type. For 2012, the Fiscal Officer's salary was paid \$5,305 from the Gasoline Tax Fund and \$2,122 from the Road and Bridge Fund, Special Revenue fund types in 2012. No timesheets or payroll certifications were maintained to support the percentage of time spent from the Gasoline Tax Fund and Road and Bridge, Special Revenue Fund types.

A finding for adjustment is hereby issued against the Jackson Township General Fund, in the amount of \$8,252 and in favor of the Jackson Township Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$6,130 and in favor of the Jackson Township Road and Bridge Fund, Special Revenue fund type, in the amount of \$2,122.

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

**FINDING NUMBER 2012-003**

**Material Weakness**

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 transactions, 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.

The Township misclassified and incorrectly posted tax receipts, intergovernmental receipts, fund balances and federal and state withholding payments to the Township receipt and disbursement ledgers and to the annual financial report.

In addition, there were differences between the amounts posted to the UAN system and the amounts that cleared the bank for various transactions. The Fiscal Officer did not post receipts to the UAN system until the end of the month, and the bank reconciliations did not reconcile for all months under the audit period. Monthly bank reconciliations contained adjusting factors ranging from \$83 to \$5,565 throughout the audit period. These adjusting factors were due to the various errors noted above. These misstatements had the following net effect on the Township's financial statements as of December 31, 2012:

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-003 (Continued)**

**Material Weakness (Continued)**

Fund	12/31/12 UAN Fund Balance	12/31/12 Audited Fund Balance	Adjustment
General	\$ 7,106	\$12,456	\$5,350
MVL	\$10,901	\$10,818	(\$83)
Gas Tax	\$51,687	\$51,209	(\$478)
Misc. Special Revenue – 2906	\$6,059	\$494	(\$5,565)

We recommend the Fiscal Officer refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts and expenditures. We further recommend the Fiscal Officer post receipts to the UAN system when the money is received and agree check amounts that cleared the bank to the amounts posted to the UAN system. Any adjusting factors on the monthly bank reconciliations should be investigated and supported by appropriate documentation.

**Officials' Response:** The Township officials did not respond to the findings noted above.

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2010-001	Ohio Rev. Code Section 505.24(C) – The Trustees were paid entirely from the Gasoline Tax Fund instead of being paid from the General Fund for administrative duties performed. A finding for adjustment was issued in the previous two audits in the amounts of \$1,115 for 2007, \$1,528 for 2008, \$2,076 for 2009 and \$2127 for 2010.	No	Not Corrected ; Repeated as Finding 2012-001 and issued in Management letter: For 2012, Trustees did not utilize payroll certifications and discontinued practice of using timesheets. Prior audit Finding for Adjustments from previous two audits have not been made to the accounting system by the Township.
2010-002	Ohio Rev. Code Section 117.13 (C) – The audit cost was paid \$800 from the capital projects fund without documentation for allocation.	No	Partially Corrected; Repeated as Management Letter citation.
2010-003	Ohio Rev. Code Section 5705.38 (A) – The township did not adopt a permanent appropriations until March 9, 2009 and no temporary appropriations was adopted for that year.	Yes	Finding No Longer Valid.
2010-004	Estimated receipts and appropriations as approved by the legislative authority did not agree to the Township's UAN system	No	Not Corrected; Repeated as Management Letter citation.





# Dave Yost • Auditor of State

**JACKSON TOWNSHIP**

**NOBLE 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  
JULY 18, 2013**