



Dave Yost • Auditor of State



**JACKSON TOWNSHIP  
PUTNAM COUNTY  
DECEMBER 31, 2016 AND 2015**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Jackson Township  
Putnam County  
16477 Road 23-M  
Fort Jennings, Ohio 45844-9023

To the Board of 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 Jackson Township, Putnam County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015.

### ***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 opinions.

### ***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 of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably 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 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 the Township as of December 31, 2016 and 2015, or changes in financial position thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Jackson Township, Putnam County, Ohio as of December 31, 2016 and 2015, 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) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2017, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

July 10, 2017

**JACKSON TOWNSHIP  
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$73,784	\$68,348		\$142,132
Charges for Services		6,633		6,633
Licenses, Permits and Fees	1,200			1,200
Intergovernmental	29,012	115,205	\$14,000	158,217
Earnings on Investments	134	38		172
Miscellaneous	2,435			2,435
<i>Total Cash Receipts</i>	<u>106,565</u>	<u>190,224</u>	<u>14,000</u>	<u>310,789</u>
<b>Cash Disbursements</b>				
Current:				
General Government	31,271	3,666		34,937
Public Safety		2,000		2,000
Public Works		82,275		82,275
Capital Outlay		28,717	14,000	42,717
Debt Service:				
Principal Retirement		15,810		15,810
Interest and Fiscal Charges		3,123		3,123
<i>Total Cash Disbursements</i>	<u>31,271</u>	<u>135,591</u>	<u>\$14,000</u>	<u>180,862</u>
<i>Excess of Receipts Over Disbursements</i>	<u>75,294</u>	<u>54,633</u>		<u>129,927</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		5,000		5,000
Transfers Out	(5,000)			(5,000)
Sale of Capital Assets	5,208			5,208
<i>Total Other Financing Receipts (Disbursements)</i>	<u>208</u>	<u>5,000</u>		<u>5,208</u>
<i>Net Change in Fund Cash Balances</i>	75,502	59,633		135,135
<i>Fund Cash Balances, January 1</i>	<u>40,156</u>	<u>136,341</u>		<u>176,497</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		195,974		195,974
Unassigned	115,658			115,658
<i>Fund Cash Balances, December 31</i>	<u>\$115,658</u>	<u>\$195,974</u>		<u>\$311,632</u>

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

**Jackson Township  
Putnam County  
Notes to the Financial Statements  
For the Year Ended December 31, 2016**

**Note 1- Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Jackson Township, Putnam 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 and repair. The Township contracts with the Villages of Fort Jennings, Kalida, and Ottoville Fire Departments to provide fire protection.

***Public Entity Risk Pool***

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. OTARMA provides property and casualty coverage for its members. Note 10 to the financial statements provide additional information for this entity.

**Note 2 - Summary of Significant Accounting Policies**

***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.

***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 Funds:

***Road and Bridge Fund*** The road and bridge fund accounts for and reports that portion of property tax money for constructing, maintaining, and repairing Township roads and bridges.

***Gas Tax Fund*** The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Capital Project Fund*** This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

***Issue II Fund*** The township received a grant from the state to resurface Township roads.

***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 Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a



**Jackson Township  
Putnam County  
Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)**

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 Section 117-2-03(D) permit.

***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 or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

***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 2016 budgetary activity appears in Note 4.

***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.

***Accumulated Leave***

In certain circumstance, 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.

***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.

**Jackson Township  
Putnam County  
Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)**

**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.

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.

**Note 3 – Compliance**

Contrary to Ohio law, appropriations were not approved and resulted in improper amounts being posted to the accounting system for all funds. In addition, expenditures exceeded appropriations in the General and Special Revenue Funds.

The Township also paid debt charges from a current expense levy, contrary to Ohio Rev. Code § 5705.05.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$104,307	\$111,773	\$7,466
Special Revenue	180,755	195,224	14,469
Capital Projects		14,000	14,000
Total	\$285,062	\$320,997	\$35,935

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$36,271	(\$36,271)
Special Revenue		135,591	(135,591)
Capital Projects	\$14,000	14,000	
Total	\$14,000	\$185,862	(\$171,862)

**Note 5 – 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:

**Jackson Township  
Putnam County  
Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)**

	2016
Demand deposits	\$311,632

**Deposits**

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

**Note 6 – Property Taxes**

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

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

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

**Note 7 – Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

**Note 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.

**Note 9 - Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Capital Lease	\$15,810	4.61%

The Township financed a lease for a dump truck in 2011. The Township will pay the lease in annual installments of \$18,933, including interest, over 7 years.

Amortization of the above lease is scheduled as follows:

**Jackson Township  
Putnam County  
Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)**

Year	Capital Lease	
	Principal	Interest
2017	\$15,810	\$3,123

**Note 10 – 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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, 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.

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, 2016.

	<b>2016</b>
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township’s share of these unpaid claims collectible in future years is approximately \$3,000.

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

**Jackson Township  
Putnam County  
Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)**

of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b><u>2016 Contributions to OTARMA</u></b>
\$6,213

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.

**Note 11 – Miscellaneous Revenues**

The Township had miscellaneous revenues in the General fund totaling \$2,435 for 2016. These revenues consist primarily of a donation.

**JACKSON TOWNSHIP  
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$40,523	\$69,345		\$109,868
Charges for Services		6,631		6,631
Licenses, Permits and Fees	675			675
Intergovernmental	33,294	112,299	\$29,000	174,593
Earnings on Investments	83	22		105
Miscellaneous	574			574
<i>Total Cash Receipts</i>	<u>75,149</u>	<u>188,297</u>	<u>29,000</u>	<u>292,446</u>
<b>Cash Disbursements</b>				
Current:				
General Government	55,718	9,292		65,010
Public Safety		2,000		2,000
Public Works		143,918		143,918
Capital Outlay		3,176	29,000	32,176
Debt Service:				
Principal Retirement		15,810		15,810
Interest and Fiscal Charges		3,123		3,123
<i>Total Cash Disbursements</i>	<u>55,718</u>	<u>177,319</u>	<u>\$29,000</u>	<u>262,037</u>
<i>Excess of Receipts Over Disbursements</i>	19,431	10,978		30,409
<i>Fund Cash Balances, January 1</i>	<u>20,725</u>	<u>125,363</u>		<u>146,088</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		136,341		136,341
Unassigned	40,156			40,156
<i>Fund Cash Balances, December 31</i>	<u>\$40,156</u>	<u>\$136,341</u>		<u>\$176,497</u>

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

**Jackson Township  
Putnam County  
Notes to the Financial Statements  
For the Year Ended December 31, 2015**

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Jackson Township, Putnam 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 and repair. The Township contracts with the Villages of Fort Jennings, Kalida, and Ottoville Fire Departments to provide fire protection.

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**Note 2 – Summary of Significant Accounting Policies**

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***Issue II Fund*** The township received a grant from the state to resurface Township roads.

***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 Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a

**Jackson Township  
Putnam County  
Notes to the Financial Statements  
For the Year Ended 31, 2015  
(continued)**

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 Section 117-2-03(D) permit.

***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 or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

***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 2015 budgetary activity appears in Note 4.

***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.

***Accumulated Leave***

In certain circumstance, 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.

***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.



**Jackson Township  
Putnam County  
Notes to the Financial Statements  
For the Year Ended December 31, 2015  
(Continued)**

**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.

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.

**Note 3 – Compliance**

Contrary to Ohio law, appropriations were not approved and resulted in improper amounts being posted to the accounting system for all funds. In addition, expenditures exceeded appropriations in the General and Special Revenue Funds.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$74,412	\$75,149	\$737
Special Revenue	181,687	188,297	6,610
Capital Projects		29,000	29,000
Total	\$256,099	\$292,446	\$36,347

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$55,718	(\$55,718)
Special Revenue		177,319	(177,319)
Capital Projects	\$29,000	29,000	
Total	\$29,000	\$262,037	(\$233,037)

**Note 5- 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:

Demand deposits	2015
	\$176,497

**Jackson Township  
Putnam County  
Notes to the Financial Statements  
For the Year Ended December 31, 2015  
(Continued)**

**Deposits**

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

**Note 6 – Property Taxes**

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

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

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

**Note 7 – Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. 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, 2015.

**Note 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.

**Note 9 – Debt**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Capital Lease	\$31,620	4.61%

The Township financed a lease for a dump truck in 2011. The Township will pay the lease in annual installments of \$18,933, including interest, over 7 years.

Amortization of the above lease is scheduled as follows:

**Jackson Township  
Putnam County  
Notes to the Financial Statements  
For the Year Ended December 31, 2015  
(Continued)**

Year	Capital Lease	
	Principal	Interest
2016	\$15,810	\$3,123
2017	15,810	3,123
Totals	\$31,620	\$6,246

**Note 10 – 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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, 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.

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, 2015 and 2014.

	<b><u>2015</u></b>	<b><u>2014</u></b>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township’s share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member

**Jackson Township  
Putnam County  
Notes to the Financial Statements  
For the Year Ended December 31, 2015  
(Continued)**

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.

<b><u>Contributions to OTARMA</u></b>	
<b><u>2015</u></b>	<b><u>2014</u></b>
\$6,354	\$6,353

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.



# 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  
Putnam County  
16477 Road 23-M  
Fort Jennings, Ohio 45844-9023

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 the cash balances, receipts, and disbursements by fund type of Jackson Township, Putnam County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated July 10, 2017, wherein we 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 the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-004 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 2016-002 through 2016-005.

***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

Columbus, Ohio

July 10, 2017

**JACKSON TOWNSHIP  
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
----------------------------------------------------------------------------------------------------------

**FINDING NUMBER 2016-001**

**Material Weakness**

**Financial Reporting**

The Township's management is responsible for the fair presentation of the financial statements. Inaccurate posting of transactions impedes the ability of the Trustees to accurately assess the financial status of the Township. In addition, GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. Errors were noted in the financial statements, resulting in several audit adjustments such as the following:

- The principal and interest payment for the capital lease in the amount of \$18,933 was misclassified as general government in the General Fund in the amount of \$5,000, public works in the Motor Vehicle License Fund in the amount of \$3,933, and capital outlay in the Gas Tax Fund in the amount of \$10,000 in 2016.
- The principal and interest payment for the capital lease in the amount of \$18,933 was misclassified as public works in the Motor Vehicle License Fund in the amount of \$8,933 and capital outlay in the Gas Tax Fund in the amount of \$10,000 in the Special Revenue in 2015.
- The balance of the General fund of \$115,658 was misclassified as assigned instead of unassigned in 2016.
- The balance of the Road and Bridge fund of \$38,604 was misclassified as committed instead of restricted in 2016.

These errors are a result of inadequate policies and procedures over reviewing the financial statements. Failure to complete accurate financial statements could lead to the Board making misinformed decisions. Additional audit adjustments were made in smaller relative amounts for additional reasons. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct these errors.

To help ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the Board, to identify and correct errors and omissions. The Fiscal Officer should also review the Township Handbook and Audit Bulletin 2014-004 for information on GASB Statement No. 54, to ensure that all accounts are being properly posted to the financial statements.

**FINDING NUMBER 2016-002**

**Noncompliance Citation and Material Weakness**

**Recording and Budgeting On Behalf of Monies**

Sound accounting practices require money spent on behalf of the Township by other governments be posted to the Township's ledgers. Furthermore, Ohio Rev. Code § 5705.42 deems the funds appropriated, eliminating the need for the Township to approve a formal appropriation for these monies, however, this section does require the Township to record the appropriation.

In 2016 and 2015 the Township was the beneficiary of \$14,000 and \$29,000, respectively, of Ohio Public Works Commission (OPWC) money sent directly to the vendor. The Fiscal Officer did not record this activity in the accounting system in 2016 or 2015. In addition, appropriations for this activity were not recorded in 2016 or 2015. Since the Township is required to record the appropriation they should also request the amount be included on the certificate of estimated resources received from the county budget commission to enhance the Township’s monitoring of financial activity. These errors were not identified and corrected prior to the audit due to deficiencies in the Township’s financial statement monitoring. The accompanying financial statements and notes to the financial statements were adjusted to reflect the amounts in the Capital Projects Fund.

To account for the appropriations for the OPWC funds, we recommend the Township record the appropriation on the appropriations ledger and request the amount be included on the certificate of estimated resources.

**FINDING NUMBER 2016-003**

**Noncompliance Citation and Material Weakness**

**Ohio Rev. Code § 5705.38(A)** provides on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April, of the current year, and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

The Township did not approve its 2016 or 2015 appropriation resolution, but did post appropriations into the accounting system as follows:

Fund	Posted Appropriations	Approved Appropriations	Variance
<b>As of December 31, 2016:</b>			
General Fund	\$103,910		\$103,910
Special Revenue Funds	316,995		316,995

Fund	Posted Appropriations	Approved Appropriations	Variance
<b>As of December 31, 2015:</b>			
General Fund	\$101,345		\$101,345
Special Revenue Funds	306,623		306,623

This error was a result of inadequate policies and procedures in reviewing and approving appropriations. The notes to the financial statements were adjusted to properly account for this error. Using inaccurate information could lead the Board to make misinformed decisions. We recommend the Board approve an appropriations measure and the Fiscal Officer only post appropriations that have been formally adopted by the Board.



**FINDING NUMBER 2016-004**

**Noncompliance Citation and Material Weakness**

**Ohio Rev. Code § 5705.05** provides that the purpose and intent of the general levy for current expenses is to provide one general operating fund derived from taxation from which any expenditures for current expenses of any kind may be made. The taxing authority of a political subdivision may include in such levy the amounts required for carrying into effect any of the general or special powers granted by law to such subdivision, including the acquisition or construction of permanent improvements and the payment of judgments, but excluding the payment of debt charges. The power to include in the general levy for current expenses additional amounts for purposes for which a special tax is authorized shall not affect the right or obligation to levy such special tax.

**1981 Ohio Att’y Gen. Op. No. 81-035** provides that certain moneys paid into the general fund which are not derived from a general levy for current expenses are placed in the general fund precisely because their use is not restricted. Such monies may be used to pay debt charges provided that they have not been commingled with general fund monies which may not be used for debt payment. Where otherwise unrestricted monies have been paid into the general fund and have been commingled with restricted monies to the extent that the particular source from which the monies originated cannot be distinguished, such monies may be used to pay debt charges only after they have been transferred to an appropriate fund [pursuant to Ohio Rev. Code § 5705.14].

The Township’s general levy is restricted for current expenses and is commingled with unrestricted monies. The Township paid part of the truck lease from the General fund in 2016 in the amount of \$5,000.

This error was a result of inadequate policies and procedures in monitoring financial statement information. The financial statement and accounting records have been adjusted to correct this error. We recommend the Fiscal Officer pay the dump truck lease out of a Road fund or transfer out of the General fund to a separate allowable fund to pay debt.

**FINDING NUMBER 2016-005**

**Noncompliance Citation**

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code. The Township did not approve appropriations and therefore the following funds had disbursements in excess of appropriations:

<b>Fund</b>	<b>Approved Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
<b>As of December 31, 2016:</b>			
General Fund		\$36,271	(\$36,271)
Special Revenue Funds		130,591	(130,591)

<b>Fund</b>	<b>Approved Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
<b>As of December 31, 2015:</b>			
General Fund		\$55,718	(\$55,718)
Special Revenue Funds		177,319	(177,319)

This error was a result of inadequate policies and procedures in approving and reviewing budgetary information. Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.

**JACKSON TOWNSHIP  
PUTNAM COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	<b>Ohio Rev. Code § 5705.10</b> deficit balances and not posting revenue in correct funds	Corrected	

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# Dave Yost • Auditor of State

JACKSON TOWNSHIP

PUTNAM 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 25, 2017