



OHIO AUDITOR OF STATE
KEITH FABER



**JACKSON TOWNSHIP
PERRY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types – For the Year Ended December 31, 2019	3
Notes to the Financial Statements – For the Year Ended December 31, 2019	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types – For the Year Ended December 31, 2018	11
Notes to the Financial Statements – For the Year Ended December 31, 2018	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings.....	21

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



53 Johnson Road
The Plains, Ohio 45780-1231
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Jackson Township
Perry County
1505 State Route 668 South
Junction City, Ohio 43748

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, Perry County, Ohio (the Township), as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (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 § 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, 2019 and 2018, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Jackson Township, Perry County as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2020, 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.



Keith Faber
Auditor of State
Columbus, Ohio

May 28, 2020

Jackson Township
Perry County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$43,943	\$242,847	\$286,790
Charges for Services	0	14,155	14,155
Road Maintenance Fees	0	3,000	3,000
Licenses, Permits and Fees	14	0	14
Intergovernmental	22,307	239,481	261,788
Earnings on Investments	1,483	2,983	4,466
Miscellaneous	0	24,404	24,404
<i>Total Cash Receipts</i>	<u>67,747</u>	<u>526,870</u>	<u>594,617</u>
Cash Disbursements			
Current:			
General Government	79,007	3,007	82,014
Public Safety	0	130,219	130,219
Public Works	0	188,460	188,460
Human Services	0	24,405	24,405
Other	5	0	5
<i>Total Cash Disbursements</i>	<u>79,012</u>	<u>346,091</u>	<u>425,103</u>
<i>Excess of Receipts Over Disbursements</i>	<u>(11,265)</u>	<u>180,779</u>	<u>169,514</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	<u>3,801</u>	<u>14,085</u>	<u>17,886</u>
<i>Net Change in Fund Cash Balances</i>	(7,464)	194,864	187,400
<i>Fund Cash Balances, January 1</i>	<u>56,118</u>	<u>313,817</u>	<u>369,935</u>
Fund Cash Balances, December 31			
Restricted	0	331,806	331,806
Committed	0	176,875	176,875
Assigned	46,319	0	46,319
Unassigned (Deficit)	<u>2,335</u>	<u>0</u>	<u>2,335</u>
<i>Fund Cash Balances, December 31</i>	<u>\$48,654</u>	<u>\$508,681</u>	<u>\$557,335</u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

Jackson Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 Township of Jackson, Perry County, Ohio as a body corporate and politic established in 1803. A publicly elected three-member Board of Trustees directs the Township. The Township provides general governmental services, maintenance of Township roads, and mowing and trimming of abandoned cemeteries in the Township. The Township contracts with the Village of Junction City for fire protection and emergency medical services. Police protection is provided by the Perry County Sheriff's Department.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgements, settlements and other expenses resulting from cover claims exceeding the member's deductible.

The Township does not participate in a joint venture or a jointly governed organization.

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

B. Accounting Basis

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

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

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 in Item D.

C. Deposits and Investments

The Township's accounting basis includes investments 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.

Monies received by the Township in the year 2019 were deposited into an interest bearing checking account at a fixed rate of .95%

Jackson Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money for the construction, repair and maintenance of Township road and bridges. The road and bridge fund accounts for and reports all disbursements committed to roads, including improvements, paving, snow removal, salt/sand, gravel, blacktop, maintenance, payroll, supplies, purchases, fuel, vehicle equipment, and maintenance. This fund is also used for construction of new and future facilities.

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

Motor Vehicle License Tax Fund - This fund receives license tax money for the construction, repair and maintenance of township roads.

Fire Fund - This fund accounts for and reports proceeds from property taxes restricted for fire department and life squad protection and emergency services.

EMS Fund - This fund receives property tax money to provide emergency medical services to residents.

FEMA Fund - This fund receives money from FEMA for storm damages to the township roads.

E. Budgetary Process

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

1. Appropriations

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

Jackson Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

2. 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.

3. 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 2019 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

Jackson Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(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.

G. 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.

H. 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.

2. Equity in Pooled Deposits and Investments

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

	2019
Demand deposits	\$557,335

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure repayment of all public monies deposited in the financial institution.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,050	\$71,548	\$4,498
Special Revenue	371,700	540,955	169,255
Total	\$438,750	\$612,503	\$173,753

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$112,158	\$79,012	\$33,146
Special Revenue	570,305	346,091	224,214
Total	\$682,463	\$425,103	\$257,360

Jackson Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

4. Property Tax

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

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

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

5. Debt

The Township had no outstanding debt at the end of year 2019.

6. Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates. For 2019, 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, 2019.

7. Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019.

8. Risk Management

Commercial Insurance

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2019, the Township contracted with OTARMA for all their insurance needs: General Liability and casualty; vehicles and property including electronic data equipment.

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2018 (latest information available):

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

Jackson Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Settled claims have not exceed coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

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

9. Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

10. Road Maintenance Fees and Reimbursements

During 2019, the Township received reimbursements for repairs of roads for various damages from logging companies. These receipts are reflected as Road Maintenance Fees on the accompanying financial statements. Also, during 2019, the Township reimbursed the Gasoline Tax and Road and Bridge Funds for expenditures made for emergency repairs to roads that were reimbursed by FEMA receipts received in 2018 totaling \$24,404. These receipts are reflected as Miscellaneous receipts in the Special Revenue Fund on the accompanying financial statements.

Jackson Township
Perry County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$44,132	\$171,290	\$215,422
Charges for Services	0	16,564	16,564
Road Maintenance Fees	35,500	38,428	73,928
Intergovernmental	37,592	159,614	197,206
Earnings on Investments	625	1,481	2,106
<i>Total Cash Receipts</i>	<u>117,849</u>	<u>387,377</u>	<u>505,226</u>
Cash Disbursements			
Current:			
General Government	69,714	2,500	72,214
Public Safety	0	143,130	143,130
Public Works	0	183,617	183,617
Capital Outlay	0	480	480
<i>Total Cash Disbursements</i>	<u>69,714</u>	<u>329,727</u>	<u>399,441</u>
<i>Excess of Receipts Over Disbursements</i>	<u>48,135</u>	<u>57,650</u>	<u>105,785</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	1,827	0	1,827
<i>Net Change in Fund Cash Balances</i>	49,962	57,650	107,612
<i>Fund Cash Balances, January 1</i>	<u>6,156</u>	<u>256,167</u>	<u>262,323</u>
Fund Cash Balances, December 31			
Restricted	0	234,148	234,148
Committed	0	79,669	79,669
Assigned	45,108	0	45,108
Unassigned (Deficit)	11,010	0	11,010
<i>Fund Cash Balances, December 31</i>	<u><u>\$56,118</u></u>	<u><u>\$313,817</u></u>	<u><u>\$369,935</u></u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

Jackson Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 Township of Jackson, Perry County, Ohio as a body corporate and politic established in 1803. A publicly elected three-member Board of Trustees directs the Township. The Township provides general governmental services, maintenance of Township roads, and mowing and trimming of abandoned cemeteries in the Township. The Township contracts with the Village of Junction City for fire protection and emergency medical services. Police protection is provided by the Perry County Sheriff's Department.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgements, settlements and other expenses resulting from cover claims exceeding the member's deductible.

The Township does not participate in a joint venture or a jointly governed organization.

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

B. Accounting Basis

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

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

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 in Item D.

C. Deposits and Investments

The Township's accounting basis includes investments 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.

Monies received by the Township in the year 2018 were deposited into an interest bearing checking account at a fixed rate of .55%

Jackson Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money for the construction, repair and maintenance of Township road and bridges. The road and bridge fund accounts for and reports all disbursements committed to roads, including improvements, paving, snow removal, salt/sand, gravel, blacktop, maintenance, payroll, supplies, purchases, fuel, vehicle equipment, and maintenance. This fund is also used for construction of new and future facilities.

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

Motor Vehicle License Tax Fund - This fund receives license tax money for the construction, repair and maintenance of township roads.

Fire Fund - This fund accounts for and reports proceeds from property taxes restricted for fire department and life squad protection and emergency services.

EMS Fund - This fund receives property tax money to provide emergency medical services to residents.

FEMA Fund - This fund receives money from FEMA for storm damages to the township roads.

E. Budgetary Process

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

1. Appropriations

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

Jackson Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

2. 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.

3. 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 2018 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

Jackson Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(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.

G. 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.

H. 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.

2. Equity in Pooled Deposits and Investments

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

	2018
Demand deposits	\$369,935

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure repayment of all public monies deposited in the financial institution.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,435	\$119,676	\$54,241
Special Revenue	312,179	387,377	75,198
Total	\$377,614	\$507,053	\$129,439

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,285	\$69,714	\$1,571
Special Revenue	467,750	329,727	138,023
Total	\$539,035	\$399,441	\$139,594

Jackson Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

4. Property Tax

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

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

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

5. Debt

The Township had no outstanding debt at the end of year 2018.

6. Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates. For 2018, 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, 2018.

6. Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018.

8. Risk Management

Commercial Insurance

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2018, the Township contracted with OTARMA for all their insurance needs: General Liability and casualty; vehicles and property including electronic data equipment.

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

Jackson Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Settled claims have not exceed coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

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

9. Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

10. Road Maintenance Fees

During 2018, the Township received monies from a road maintenance agreement entered into in with Columbia Gas in exchange for increased use of Township roads and are restricted for repairs and damages caused to the roads as a result of this increased usage. The Township received \$71,000 from this agreement. In addition, the Township received reimbursements for repairs of roads for various damages from logging companies. These receipts are reflected as Road Maintenance Fees on the accompanying financial statements.

OHIO AUDITOR OF STATE KEITH FABER



53 Johnson Road
The Plains, Ohio 45780-1231
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

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

Jackson Township
Perry County
1505 State Route 668 South
Junction City, Ohio 43748

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 the Jackson Township, Perry County, Ohio (the Township), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated May 28, 2020 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

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 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 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 2019-001 and 2019-002 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the Township's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

May 28, 2020

**JACKSON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-001

Material Weakness

In our audit engagement letter, as required by AU-C § 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C § 210 paragraphs .A14 & .A16.

Auditor of State Bulletin 2015-007 states the notes to the financial statements, and all other components, are required to be included in the financial statements filed with the Auditor of State via the Hinkle System. The notes to the financial statements should include all pertinent information relating to the audit and be in a format that contains accurate and current information.

Furthermore, Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue has external legal constraints as Restricted. GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as Committed. GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. GASB Cod. 1800.177 designates Unassigned fund balance as the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Auditor of State Bulletin 2011-004 requires local governments which prepare cash basis financial statements to implement these fund balance classifications and governmental fund type definitions.

Our audit identified the following adjustments:

- During 2019, the Township posted FEMA receipts to Other Financing Sources rather than Intergovernmental in the Motor Vehicle License, Gasoline Tax, and Road and Bridge Funds, in the amounts of \$4,424, \$77,098, and \$27,364, respectively. In addition, these receipts should have been originally posted to the FEMA fund then reimbursed to the funds which made the expenditures.
- During 2018, the Township posted a receipt from the Ohio EMA to Other Financing Sources rather than Intergovernmental in the General Fund in the amount of \$15,201.
- We noted the Township improperly reported subsequent year appropriations in excess of estimated receipts in the General Fund as Unassigned fund balance instead of as Assigned fund balance, in the amounts of \$46,319 and \$45,108, for the years ending December 31, 2019 and 2018, respectively.
- We noted the Township improperly reported the Road and Bridge Fund balances, which received its property tax revenue from inside the 10 mill limitation, as Restricted rather than as Committed, in the amounts of \$176,875 and \$79,669, for the years ended December 31, 2019 and 2018, respectively.

We noted the Township's footnotes had the following errors:

- Demand Deposits reported in Note 2 were reported for 2019 as \$579,491 rather than \$557,335 and in 2018 as \$499,080 rather than \$369,935.
- Budgeted Receipts reported in Note 3 were misstated as noted in Finding 2019-002.

FINDING NUMBER 2019-001 (Continued)

Material Weakness (Continued)

Audit adjustments, with which management has agreed, have been reflected in the accompanying financial statements. In addition to the adjustments listed above, we also identified additional immaterial unadjusted misstatements ranging from \$813 to \$12,800.

Incorrect financial statement account classifications and balances could result in inaccurate reporting of the Township's financial information.

The Fiscal Officer should refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers and annual financial report in order to ensure the Township's year-end financial statements reflect the appropriate sources and uses of the Township's receipts and disbursements. Additionally, the Township should utilize the Auditor of State website to access resources to assist in accurate completion of the notes to the financial statements.

Officials' Response: In response to Finding 2019-001, please be advised that I intend to make sure of proper classification and ensure accurate posting of receipts in the proper accounts.

FINDING NUMBER 2019-002

Material Weakness

In our audit engagement letter, as required by AU-C § 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C § 210 paragraphs .A14 and .A16.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The approved Certificate of Estimated Resources and/or amendments thereof was not posted correctly to the accounting system.

**JACKSON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

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

FINDING NUMBER 2019-002 (Continued)

Material Weakness (Continued)

At December 31, 2019, estimated resources approved by the Budget Commission did not agree to the Township's ledgers for the following funds:

Fund	Per the Last Amended Certificate	Per the UAN Accounting System	Variance
General	\$67,050	\$65,500	(\$1,550)
Road & Bridge	114,750	74,500	(40,250)
Fire	107,550	104,000	(3,550)
EMS	52,000	29,100	(22,900)

Failure to accurately post the estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this resulted in the Budgeted Receipts in the Budgetary Note being misstated by the above variances.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response: In response to Finding 2019-002, please be advised that I intend to make certain that I use the amounts listed on the Official Certificates which I may receive from the Perry County Auditor and continue to monitor the budget. And, further, I will make sure that I classify all funds appropriately.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



JACKSON TOWNSHIP

PERRY 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
JUNE 16, 2020**