



Dave Yost • Auditor of State



JACKSON TOWNSHIP  
NOBLE COUNTY

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# Dave Yost • Auditor of State

Jackson Township  
Noble County  
15241 Cedar Hill Road  
Dexter City, Ohio 45727

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Dave Yost**  
Auditor of State

April 19, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Jackson Township  
Noble County  
15241 Cedar Hill Road  
Dexter City, Ohio 45727

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Noble County, Ohio, (the Township) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

During the prior audit covering January 1, 2007 to December 31, 2008, the Trustees' salaries were paid 100% from the Gasoline Tax Fund. The Trustees' timesheets did not reflect any board meetings attended during the year as a part of their administrative duties. The amount that should have been paid out of the General Fund for these administrative duties was \$1,115 for 2007 and \$1,528 for 2008. The Township declined to make these adjustments during the prior audit period and the Township has declined to make these adjustments this audit period.

During 2009, the Township paid 100% of the three Trustees' salaries from the Gasoline Tax Fund, Special Revenue Fund type. The Trustees' timesheets did reflect board meetings attended during the year as a part of their administrative duties, but the Fiscal Officer did not post these administrative charges to the General Fund. The amount that should have been paid out of the General Fund for these administrative duties was \$2,076. Had the prior audit covering January 1, 2007 to December 31, 2008 adjustment and this 2009 adjustment been properly posted to the financial statements and the Township's accounting system, the General Fund's December 31, 2009 cash fund balance would have been decreased by a cumulative \$4,719 and its 2009 disbursements would have been increased by \$2,076. Also, Special Revenue Fund's December 31, 2009 cash fund balance would have been increased by a cumulative \$4,719 and its 2009 disbursements would have been decreased by \$2,076. The Township declined to make these adjustments. See Note 7, Notes to the Financial Statements.

During 2010, the Township paid 100% of the three Trustees' salaries from the Gasoline Tax Fund, Special Revenue Fund type. The Trustees' timesheets did reflect board meetings attended during the year as a part of their administrative duties, but the Fiscal Officer did not post these administrative charges to the General Fund. The amount that should have been paid out of the General Fund for these administrative duties was \$2,127. Had the prior audit covering January 1, 2007 to December 31, 2008 adjustment, the 2009 adjustment and this 2010 adjustment been properly posted to the financial statements and the Township's accounting system, the General Fund's December 31, 2010 cash fund balance would have been decreased by a cumulative \$6,846 and its 2010 disbursements would have been increased by \$2,127. Also, Special Revenue Fund's December 31, 2010 cash fund balance would have been increased by a cumulative \$6,846 and its 2010 disbursements would have been decreased by \$2,127. The Township declined to make these adjustments. See Note 7, Notes to the Financial Statements.

Also, in our opinion, because of the effects of the matters discussed in the preceding three paragraphs, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances of Jackson Township, Noble County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 7, the Township is experiencing financial difficulties. Management has declined to post the aforementioned adjustments due to the General Fund's cash balance not being sufficient to support these adjustments. Management's plan in regards to these financial difficulties is described in Note 7 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.



The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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**Dave Yost**  
Auditor of State

April 19, 2011

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**JACKSON TOWNSHIP  
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>					<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Funds</u>	
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$7,838	\$19,288				\$27,126
Intergovernmental	6,748	108,674				115,422
Earnings on Investments	210	161		\$112		483
Miscellaneous	106	407				513
<b>Total Cash Receipts</b>	<b>14,902</b>	<b>128,530</b>	<b>\$0</b>	<b>112</b>	<b>\$0</b>	<b>143,544</b>
<b>Cash Disbursements:</b>						
Current:						
General Government	15,511	26,672				42,183
Public Works		100,035				100,035
Health	1,339	3,116				4,455
Conservation - Recreation	100					100
Capital Outlay				37,500		37,500
<b>Total Cash Disbursements</b>	<b>16,950</b>	<b>129,823</b>	<b>0</b>	<b>37,500</b>	<b>0</b>	<b>184,273</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(2,048)</b>	<b>(1,293)</b>	<b>0</b>	<b>(37,388)</b>	<b>0</b>	<b>(40,729)</b>
<b>Other Financing Receipts/(Disbursements):</b>						
Transfers-In	2,122	3,663				5,785
Transfers-Out		(2,122)		(2,962)	(701)	(5,785)
Other Uses	(1,614)	(138)				(1,752)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>508</b>	<b>1,403</b>	<b>0</b>	<b>(2,962)</b>	<b>(701)</b>	<b>(1,752)</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(1,540)</b>	<b>110</b>	<b>0</b>	<b>(40,350)</b>	<b>(701)</b>	<b>(42,481)</b>
<b>Fund Cash Balances, January 1</b>	<b>3,014</b>	<b>87,548</b>	<b>132</b>	<b>40,350</b>	<b>701</b>	<b>131,745</b>
<b>Fund Cash Balances, December 31</b>	<b>\$1,474</b>	<b>\$87,658</b>	<b>\$132</b>	<b>\$0</b>	<b>\$0</b>	<b>\$89,264</b>

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

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>					<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Funds</u>	
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$7,550	\$18,398				\$25,948
Intergovernmental	6,925	107,029				113,954
Earnings on Investments	1,061	662		\$465	\$2	2,190
Miscellaneous		1,336				1,336
<b>Total Cash Receipts</b>	<u>15,536</u>	<u>127,425</u>	<u>\$0</u>	<u>465</u>	<u>2</u>	<u>143,428</u>
<b>Cash Disbursements:</b>						
Current:						
General Government	15,860	28,173				44,033
Public Safety		800				800
Public Works		107,519				107,519
Health	1,315	2,638				3,953
Conservation - Recreation	24	1,210		800		2,034
<b>Total Cash Disbursements</b>	<u>17,199</u>	<u>140,340</u>	<u>0</u>	<u>800</u>	<u>0</u>	<u>158,339</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(1,663)	(12,915)	0	(335)	2	(14,911)
Fund Cash Balances, January 1	<u>4,677</u>	<u>100,463</u>	<u>132</u>	<u>40,685</u>	<u>699</u>	<u>146,656</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$3,014</b></u>	<u><b>\$87,548</b></u>	<u><b>\$132</b></u>	<u><b>\$40,350</b></u>	<u><b>\$701</b></u>	<u><b>\$131,745</b></u>

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

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Jackson Township, Noble County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and fire protection. The Township contracts with the Village of Beverly and the Caldwell Volunteer Fire Company to provide fire services..

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

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

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

**C. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**C. Fund Accounting (Continued)**

**3. Debt Service Funds**

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

General Note Retirement Fund – This fund was established to service the debt incurred from the purchase of a grader. The debt was paid in full in 2003 and the remaining cash balance will be used to service future debt.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Miscellaneous Capital Project Fund — The Township established this fund in 2004 to accumulate funds for the purchase of a road grader.

**5. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant Permanent Funds:

McCaughey Trust Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

Keith-Haga Trust Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**D. Budgetary Process**

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

**1. Appropriations**

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

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**D. Budgetary Process (Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**E. Property, Plant, and Equipment**

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

**2. Equity in Pooled Deposits**

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

	<b>2010</b>	<b>2009</b>
Demand deposits	\$89,264	\$131,745

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$13,710	\$17,024	\$3,314
Special Revenue	124,740	132,193	7,453
Capital Projects	475	112	(363)
Total	\$138,925	\$149,329	\$10,404

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity (Continued)**

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$15,908	\$18,564	(\$2,656)
Special Revenue	204,414	150,647	53,767
Capital Projects	42,962	40,462	2,500
Permanent	701	701	0
Total	<u>\$263,985</u>	<u>\$210,374</u>	<u>\$53,611</u>

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$13,290	\$15,536	\$2,246
Special Revenue	120,825	127,425	6,600
Capital Projects	400	465	65
Permanent	0	2	2
Total	<u>\$134,515</u>	<u>\$143,428</u>	<u>\$8,913</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$18,069	\$17,199	\$870
Special Revenue	183,483	140,340	43,143
Capital Projects	800	800	0
Total	<u>\$202,352</u>	<u>\$158,339</u>	<u>\$44,013</u>

Contrary to Ohio Rev. Code Section 5705.38(A), the Board of Trustees did not pass the permanent appropriation measure until March 8, 2010 and March 9, 2009, but cut checks between January 1, and the date the permanent appropriation measures were passed. The Board did not pass a temporary appropriation measure to allow these expenditures. This noncompliance affected the following funds in 2010 and 2009; General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund and the Miscellaneous Special Revenue Fund. Also, this noncompliance affected the Capital Project Fund in 2009.



**JACKSON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, 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, 2010.

**6. 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. Risk Management (Continued)**

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 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, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	(12,880,766)	(12,981,818)
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, 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 of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2010</u>	<u>2009</u>
\$2,355	\$2,048

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. Risk Management (Continued)**

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.

**7. Financial Difficulties**

At December 31, 2009, the following funds had adjustments which the Township declined to make in the following amounts:

<u>Fund</u>	<u>12/31/09 Balance</u>	<u>Adjustments Not Made</u>	<u>Effect on 12/31/09 Balance</u>
General	\$ 3,014	\$ (4,719)	\$ (1,705)
Special Revenue	87,548	4,719	92,267

At December 31, 2010, the following funds had adjustments which the Township declined to make in the following amounts:

<u>Fund</u>	<u>12/31/10 Balance</u>	<u>Adjustments Not Made</u>	<u>Effect on 12/31/10 Balance</u>
General	\$ 1,474	\$ (6,846)	\$ (5,372)
Special Revenue	87,658	6,846	94,504

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

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Jackson Township  
Noble County  
15241 Cedar Hill Road  
Dexter City, Ohio 45727

To the Board of Trustees:

We have audited the financial statements of Jackson Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 19, 2011, wherein we expressed an adverse opinion on the 2010 and 2009 regulatory financial statements due to certain misstatements of expenditures in the financial statements. We also noted the Township is experiencing financial difficulties and followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting that we consider a material weakness and another deficiency we consider to be a significant deficiency.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-004 described in the accompanying Schedule of Findings to be a significant deficiency.

### **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, providing an opinion 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 2010-001 through 2010-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated April 19, 2011.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

April 19, 2011

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

**FINDING NUMBER 2010-001**

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

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This Section is amplified by Ohio Attorney General (OAG) Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion No. 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds. The requirements of Ohio Rev. Code Section 505.24(C) were noted in the Management Letter of Jackson Township for the years ending December 31, 2006 and 2005, which was released on April 17, 2007.

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

For the audit period January 1, 2009 to December 31, 2010, the Fiscal Officer did not allocate the Board of Trustee salaries to the General Fund for time spent performing administrative duties, such as attendance at monthly board meetings, in the amount of \$2,076 for 2009 and \$2,127 for 2010. The Trustees were paid entirely from the Gasoline Tax Fund in 2010 and 2009.

A finding for adjustment is hereby issued against the Jackson Township General Fund, in the amount of \$6,846 (\$1,115 for 2007, \$1,528 for 2008, \$2,076 for 2009 and; \$2,127 for 2010)) and in favor of the Jackson Township Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$6,846.

The Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements. Part of this finding for adjustment was carried forward from the prior audits of the 2007 and 2008 financial statements.

**FINDING NUMBER 2010-002**

**Noncompliance Citation**

Ohio Rev. Code Section 117.13(C)(3) states the fiscal officer may distribute such total cost of the audit to each fund audited in accordance with its percentage of the total cost. Auditor of State Bulletin 2009-011 states in determining a percentage of total cost that may be charged to a fund, any reasonable and rational method such as a percentage of the fund's revenue or expenditures compared to the total revenue or expenditures for all funds, would be acceptable.

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**FINDING NUMBER 2010-002 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 117.13(C)(3) (Continued)**

During 2009, the Fiscal Officer charged the 2007-2008 audit costs as follows:

- General Fund - \$0;
- Gasoline Tax fund - \$1,371;
- Motor Vehicle License Tax Fund - \$500;
- Road and Bridge Fund - \$800; and
- Miscellaneous Capital Projects Fund - \$800

The Fiscal Officer did not provide any rational method to support the allocation of audit costs. The Township did not charge any audit costs to the Township's General Fund, which does not seem reasonable. Also, the Township charged \$800 to the Miscellaneous Capital Project Fund. In reviewing the financial audit report for the 2007-2008 audit, we noted there was very little activity in the Capital Projects Fund; therefore, we consider the \$800 charged to this fund for audit costs to be an unreasonable allocation.

We recommend the Township follow the guidance provided in Auditor of State Bulletin 2009-011 and determine a rational method for allocating audit costs to the accounting system.

**FINDING NUMBER 2010-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Also, Ohio Rev. Code Section 5705.41(B) states no subdivision is to expend money unless it has been appropriated.

The Board of Trustees did not adopt a permanent appropriation measure for 2009 until March 9, 2009 and did not adopt appropriations for 2010 until March 8, 2010. The Board did not adopt a temporary appropriation measure in 2010 or 2009 to cover the beginning of the year until passage of the permanent appropriation. The Fiscal Officer paid invoices during the period when no appropriation measure was in place. This resulted in expenditures exceeding appropriations in the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund, Miscellaneous Special Revenue Fund and Miscellaneous Capital Projects Fund for the period January 1, 2009 through March 9, 2009, and in the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund and Miscellaneous Special Revenue Fund for the period January 1, 2010 through March 8, 2010.

We recommend on or about the first day of each fiscal year, the Board of Trustees adopt a temporary appropriation measure for meeting the ordinary expenses until the permanent measure is adopted.



**JACKSON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**FINDING NUMBER 2010-004**

**Significant Deficiency**

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Estimated receipts, as reflected on the Uniform Accounting Network computer system and in the Township's notes to the financial statements, did not always agree to the final Amended Certificate of Estimated Resources as approved by the County Budget Commission. The variances noted were:

Year	Fund	Amended Certificate	UAN System Amount	Variance
2010	Motor Vehicle License Tax	\$ 17,580	\$ 16,080	\$ 1,500
	Cemetery	3,430	3,937	(507)
	Miscellaneous Capital Projects	475	1,026	(551)
2009	General	13,290	14,710	(1,420)
	Motor Vehicle License Tax	16,620	16,238	382
	Gasoline Tax	85,000	87,345	(2,345)
	Road and Bridge	14,795	15,604	(809)
	Cemetery	3,160	3,345	(185)
	Miscellaneous Capital Projects	400	900	(500)
	Keith-Haga Trust	0	2	(2)
McCauley Trust	0	1	(1)	

Appropriations, as reflected on the Uniform Accounting Network computer system and in the Township's notes to the financial statements, did not always agree to the annual resolution as approved by the Board of Trustees. The variances noted were:

Year	Fund	Appropriation Authority	UAN System Amount	Variance
2010	General	\$ 15,908	\$ 16,686	\$ (778)
	Motor Vehicle License Tax	29,140	31,011	(1,871)
	Gasoline Tax	123,200	99,925	23,275
	Road and Bridge	36,573	47,673	(11,100)
	Miscellaneous Special Revenue	6,950	6,452	498
2009	General	18,069	18,208	(139)
	Gasoline Tax	123,100	132,310	(9,210)

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2010-004 (Continued)**

**Significant Deficiency (Continued)**

We also noted several line items (legal level of control) in 2009 and 2010 for the funds noted above where appropriations as approved by the Board of Trustees did not agree to the amounts posted to the Township's ledgers which resulted in the variances noted above at the fund level.

Because the information entered into the accounting system was inaccurate, Township management was unable to effectively monitor budgetary activity throughout the year.

We recommend the Fiscal Officer post only those estimated revenues and appropriations to the computer system which have been approved by the County Budget Commission and/or the legislative authority, the Board of Trustees. We recommend the Board of Trustees approve supplemental appropriations and certify them to the County Auditor. Any supplemental appropriations approved by the Board of Trustees should be documented in the official minute record.

**Official's Response:** We did not receive a response to any of the items identified above.

**JACKSON TOWNSHIP  
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Ohio Rev. Code Section 505.24(C) – the Trustees were paid entirely from the Gasoline Tax Fund instead of being paid from the General Fund for administrative duties performed. A finding for adjustment was issued in the amount of \$1,115 for 2007 and \$1,528 for 2008.	No	Reissued as Finding Number 2010-001

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# Dave Yost • Auditor of State

**JACKSON TOWNSHIP**

**NOBLE COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 31, 2011**