



Dave Yost • Auditor of State

JACKSON TOWNSHIP
GUERNSEY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Jackson Township
Guernsey County
250 South Fifth Street
Byesville, Ohio 43723

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Jackson Township, Guernsey County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Jackson Township, Guernsey County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 28, 2014

**JACKSON TOWNSHIP
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$57,255	\$205,526	\$15,763			\$278,544
Licenses, Permits and Fees	564	23,200				23,764
Intergovernmental	113,489	278,904		\$31,769		424,162
Earnings on Investments	784	1,726			\$197	2,707
Miscellaneous	16,229	18,383				34,612
<i>Total Cash Receipts</i>	<u>188,321</u>	<u>527,739</u>	<u>\$15,763</u>	<u>31,769</u>	<u>197</u>	<u>763,789</u>
Cash Disbursements						
Current:						
General Government	135,954	15,094				151,048
Public Safety		95,865				95,865
Public Works	18,298	335,661				353,959
Health		85,393				85,393
Capital Outlay	206			31,769		31,975
Debt Service:						
Principal Retirement		10,238	14,422			24,660
Interest and Fiscal Charges		639	1,350			1,989
<i>Total Cash Disbursements</i>	<u>154,458</u>	<u>542,890</u>	<u>15,772</u>	<u>31,769</u>	<u>0</u>	<u>744,889</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>33,863</u>	<u>(15,151)</u>	<u>(9)</u>	<u>0</u>	<u>197</u>	<u>18,900</u>
Other Financing Receipts (Disbursements)						
Sale of Notes		15,111				15,111
Other Debt Proceeds		12,850				12,850
Other Financing Sources	5,030					5,030
<i>Total Other Financing Receipts (Disbursements)</i>	<u>5,030</u>	<u>27,961</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>32,991</u>
<i>Net Change in Fund Cash Balances</i>	<u>38,893</u>	<u>12,810</u>	<u>(9)</u>	<u>0</u>	<u>197</u>	<u>51,891</u>
<i>Fund Cash Balances, January 1</i>	<u>33,651</u>	<u>480,195</u>	<u>13,891</u>	<u>0</u>	<u>6,877</u>	<u>534,614</u>
Fund Cash Balances, December 31						
Nonspendable				0	359	359
Restricted		221,329	13,882	0	6,715	241,926
Committed		271,676		0		271,676
Unassigned (Deficit)	72,544			0		72,544
<i>Fund Cash Balances, December 31</i>	<u>\$72,544</u>	<u>\$493,005</u>	<u>\$13,882</u>	<u>\$0</u>	<u>\$7,074</u>	<u>\$586,505</u>

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

**JACKSON TOWNSHIP
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$46,344	\$180,848	\$13,892			\$241,084
Licenses, Permits and Fees	1,195	22,950				24,145
Intergovernmental	66,502	295,683		\$ 25,763		387,948
Earnings on Investments	788	90			\$ 59	937
Miscellaneous	7,559	90,413				97,972
<i>Total Cash Receipts</i>	<u>122,388</u>	<u>589,984</u>	<u>\$13,892</u>	<u>25,763</u>	<u>59</u>	<u>752,086</u>
Cash Disbursements						
Current:						
General Government	128,772	12,677				141,449
Public Safety		105,212				105,212
Public Works	15,458	355,076				370,534
Health		74,459				74,459
Conservation-Recreation	1,000					1,000
Capital Outlay	276			25,763		26,039
Debt Service:						
Principal Retirement		3,901	13,892			17,793
Interest and Fiscal Charges		323	1,871			2,194
<i>Total Cash Disbursements</i>	<u>145,506</u>	<u>551,648</u>	<u>15,763</u>	<u>25,763</u>	<u>0</u>	<u>738,680</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(23,118)</u>	<u>38,336</u>	<u>(1,871)</u>	<u>0</u>	<u>59</u>	<u>13,406</u>
Other Financing Receipts (Disbursements)						
Other Debt Proceeds		11,975				11,975
Other Financing Sources	3,000					3,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>3,000</u>	<u>11,975</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,975</u>
<i>Net Change in Fund Cash Balances</i>	<u>(20,118)</u>	<u>50,311</u>	<u>(1,871)</u>	<u>0</u>	<u>59</u>	<u>28,381</u>
<i>Fund Cash Balances, January 1</i>	<u>53,769</u>	<u>429,884</u>	<u>15,762</u>	<u>0</u>	<u>6,818</u>	<u>506,233</u>
Fund Cash Balances, December 31						
Nonspendable					6,877	6,877
Restricted		335,110	13,891			349,001
Committed		145,085				145,085
Assigned	33,615					33,615
Unassigned (Deficit)	36					36
<i>Fund Cash Balances, December 31</i>	<u>\$33,651</u>	<u>\$480,195</u>	<u>\$13,891</u>	<u>\$0</u>	<u>\$6,877</u>	<u>\$534,614</u>

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

**JACKSON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Jackson Township, Guernsey County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Byesville to provide fire services and contracts with United Ambulance Services to provide emergency medical services.

The Township participates in the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). 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. Deposits

The Township has an interest bearing checking account and certificates of deposits.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are 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.

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 Fund:

**JACKSON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Note Retirement Fund – This fund receives gasoline tax money for the principal and interest payment of outstanding general obligation notes.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

Issue I Fund - The Township received Issue I money from the County Engineer's office for road projects.

5. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Funds:

Chalfant Trust - This fund receives interest from a certificate of deposit to maintain upkeep on the cemetery.

Forbes Trust - This fund receives interest from a certificate of deposit to maintain upkeep on the cemetery.

Rogers Trust - This fund receives interest from a certificate of deposit to maintain upkeep on the cemetery.

Hoopman Trust - This fund receives interest from a certificate of deposit to maintain upkeep on the cemetery.

E. Budgetary Process

The Ohio Revised Code requires that each be budgeted annually.

**JACKSON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 2013 and 2012 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.

**JACKSON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. 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.

3. Unassigned

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

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

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

	2013	2012
Demand deposits	\$479,629	\$427,738
Certificates of Deposit	106,876	106,876
Total deposits	\$586,505	\$534,614

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

**JACKSON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2013 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$164,709	\$193,351	\$28,642
Special Revenue	489,539	555,700	66,161
Debt Service	15,763	15,763	0
Capital Projects	31,769	31,769	0
Permanent	0	197	197
Total	\$701,780	\$796,780	\$95,000

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$198,325	\$154,458	\$43,867
Special Revenue	814,925	542,890	272,035
Debt Service	29,653	15,772	13,881
Capital Projects	31,769	31,769	0
Permanent	0	0	0
Total	\$1,074,672	\$744,889	\$329,783

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$107,695	\$125,388	\$17,693
Special Revenue	535,590	601,959	66,369
Debt Service	13,892	13,892	0
Capital Projects	25,763	25,763	0
Permanent	0	59	59
Total	\$682,940	\$767,061	\$84,121

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$161,450	\$145,506	\$15,944
Special Revenue	776,305	551,648	224,657
Debt Service	15,763	15,763	0
Capital Projects	25,763	25,763	0
Permanent	0	0	0
	\$979,281	\$738,680	\$240,601

Contrary to Ohio law, the Township incurred obligations before obtaining the fiscal officer's certification.

**JACKSON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(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.

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

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Promissory Note - Tractor	\$8,818	5%
Promissory Note - Mower	2,110	5.25
Promissory Note - Backhoe	22,828	4.0%
Total	\$33,756	

The Township issued a promissory note to finance the purchase of a backhoe in May of 2010 for use in the Township for road maintenance. The Township's equipment collateralized the note.

The Township issued promissory notes to finance the purchase of a Kubota Tractor and Z mower in 2012 and a 2011 Massey Ferguson 4253 tractor with boom mower in 2013 for use in the mowing of township properties.

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

	Promissory		
Year ending December 31:	Note - Backhoe	Promissory Note - Tractor	Promissory Note-Mower
2014	\$15,763	\$9,110	\$2,213
2015	7,881	2,283	
2016			
Total	\$23,644	\$11,393	\$2,213

5. Retirement Systems

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 plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

**JACKSON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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 Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2013.

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,904</u>

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

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Dave Yost • Auditor of State

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

Jackson Township
Guernsey County
250 South Fifth Street
Byesville, Ohio 43723

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Jackson Township, Guernsey County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated October 28, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial

statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 through 2013-005.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

October 28, 2014

**JACKSON TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Finding Repaid Under Audit/Finding for Recovery/Noncompliance Citation

Ohio Rev. Code § 505.602 states a board of township trustees may procure and pay all or any part of the cost of group life insurance to insure the lives of officers and full time employees of the township. The amount of group life insurance coverage provided by the board to insure the lives of officers of the township shall not exceed fifty thousand dollars per officer. Ohio Constitution Article II, Section 20 prohibits in-term increases in compensation for elected officials. Therefore, an in-term increase in life insurance coverage for a trustee during his or her term violates the Ohio Constitution.

The Township changed its life/accidental death & disability insurance provider in August of 2012 from MedBen to Western Southern Insurance. The new policy with Western Southern Insurance was effective for the period July 1, 2012 through December 31, 2013 which increased the life insurance/accidental death & disability coverage of its officials and employees from \$15,000 to \$25,000. Also, the Township changed group health providers, effective July 1, 2013, and the new health group provider policy included new additional life/accidental death & disability insurance, in the amount of \$25,000 for employees covered under the group health plan. This resulted in an additional \$25,000 increase in life/accidental death & disability coverage for elected officials covered under the group health plan. As a result of the increased life insurance coverage, there were in-term pay increases for Township Trustee Larry Gombeda in the amount of \$1,318.05, Township Trustee Rusty Winland, in the amount of \$278.52, Township Trustee Buster Clewell, in the amount of \$149.04 and Fiscal Officer Donna Mallett, in the amount of \$111.90.

Donna Mallett, Rusty Winland and Buster Clewell paid the finding amounts on October 10, 2014 with check numbers #568, #3389 and #1159, respectively. The Township deposited these monies into its bank account on October 10, 2014.

In accordance with foregoing facts, a finding for recovery is hereby issued against Larry Gombeda, in the amount of \$1,318.05, in favor of the General Fund of Jackson Township, Guernsey County, in the amount of \$1,265.33 and the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$52.72.

FINDING NUMBER 2013-002

Finding Repaid Under Audit/Noncompliance Citation

Ohio Rev. Code § 505.60(A) states a board of township trustees of any township may procure and pay all or any part of the cost of insurance policies that may provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance for township officers and employees.

If the board procures any insurance policies under this section, the board shall provide uniform coverage under these policies for township officers and full-time township employees and their immediate dependents, and may provide coverage under these policies for part-time township employees and their immediate dependents, from the funds or budgets from which the officers or employees are compensated for services, such policies to be issued by an insurance company duly authorized to do business in this state.

**JACKSON TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-002 (Continued)

Finding Repaid Under Audit/Noncompliance Citation (Continued)

Ohio Rev. Code § Section 505.60(D) provides if any township officer or employee is denied coverage under a health care plan under this section or if any township officer or employee elects not to participate in the township's health care plan, the township may reimburse the officer or employee for each out-of-pocket premium attributable to the coverage provided for the officer or employee and their immediate dependents for insurance benefits described in division (A) of this section that the officer or employee otherwise obtains, but not to exceed an amount equal to the average premium paid by the township for its officers and employees under any health care plan it procures under this section.

The Board's Resolutions 2012-08 and 2013-08 created group health plans for each calendar year but the resolutions contained a restriction that excluded employees who have an alternate source of medical coverage from the group health plan. Also, the resolutions 2012-08 and 2013-08 stated that any employees or officials who have an alternate source of medical coverage will be reimbursed a maximum of \$200 a month for out of pocket expenses for any health, dental and vision insurance.

During the period of January 1, 2012 through December 31, 2012, Fiscal Officer, Donna Mallett, elected to not participate in the Township's group health plan due to having medical coverage elsewhere. Donna Mallett was reimbursed a total of \$3,257.47 during 2012 for health premiums and reimbursable co-pays. As a result, Donna Mallett received reimbursements in excess of the \$2,400 annual maximum set by Board Resolutions 2012-08 and 2013-08. Therefore, Donna Mallett was reimbursed \$857.47 in 2012 over the maximum annual amount set by the Board of Trustees.

Donna Mallett paid the finding amount on October 10, 2014 with check number 568. The Township deposited these monies into its bank account on October 10, 2014.

FINDING NUMBER 2013-003

Noncompliance Citation

Ohio Rev. Code § 9.833 provides the statutory authority to political subdivisions to engage a variety of methods to secure health care benefits for their officers or employees. Specifically, this statute allows political subdivisions to (1) establish and maintain individual self-insurance health care benefit programs. Where an individual or joint self-insurance program is established Ohio Rev. Code § 9.833 also provides certain requirements that each program must meet, including the provision of a yearly report from a member of the American academy of actuaries.

Auditor of State Bulletin 2011-08 was issued after legislative changes to ORC § 9.833 which increased the reporting requirements for individual and joint self-insurance programs, and included certain self-insurance programs that were specifically exempted under previous law. House Bill 153, effective September 30, 2011 which amended Ohio Rev. Code § 9.833 in the following manner:

**JACKSON TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-003 (Continued)

Noncompliance Citation (Continued)

(1) In addition to the required report from a member of the American academy of actuaries, every individual or joint self-insurance program must now also provide a certified audited financial statement,

(2) The report from a member of the American academy of actuaries, and the certified audited financial statement must be provided by the program administrator to the Auditor of State, and

(3) Every individual or joint self-insurance program must include a contract with a certified public accountant for preparation of the certified audited financial statement.

(4) Under previous law, individual self-insurance programs in municipal corporations, townships and counties were not required to comply with divisions (C)(1), (2) and (4) of this section. The statute now only exempts self-insurance programs created solely by municipal corporations. Individual self-insurance programs created in townships and counties are now required to comply with all applicable provisions of the law. Generally, this means that county or township individual self-insurance programs are required to:

- Provide to the Auditor of State a certified audited financial statement and a report of amounts so reserved and disbursements made from the relevant funds, together with a written report of a member of the American academy of actuaries, as provided in (C)(1),
- Establish a reserve fund and reserve such funds necessary for the individual self-insurance program, as provided in (C)(2),
- Include a contract with a certified public accountant and a member of the American academy of actuaries for the preparation of the written evaluations required under (C)(1).

The Township passed Resolution 2012-08 on December 27, 2011 and Resolution 2013-08 on December 18, 2012 to establish a self-insurance plan for vision coverage for the period January 1, 2012 through December 31, 2012, dental coverage for the period January 1, 2012 through June 30, 2013 and prescription co-pay costs for the period January 1, 2012 through December 31, 2013, for its officials and employees, but the Township failed to create a self-insurance fund to account for receipt and disbursement activity, contract with a licensed actuary, establish a self -insurance plan and computing an actuarial liability.

We recommend the Township adopt procedures to allow the District to follow the requirements of Ohio Revised Code § 9.833 and Auditor of State Bulletin 2011-08 guidelines for their self-insurance.

**JACKSON TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-004

Noncompliance Citation

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Section 133.22 allows a subdivision to issue anticipatory securities, Section 133.10 allows anticipation securities in anticipation of current property tax revenues, Section 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct and Section 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question is issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

In 2012, and 2013 the Township signed promissory notes with a local bank to purchase lawn mowers for the cemeteries. This type of debt does not meet the criteria for any of the debt allowed in Ohio Revised Code Chapter 133.

The Ohio Revised Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for Townships.

We recommend the Township contact their legal counsel before incurring future debt.

FINDING NUMBER 2013-005

Noncompliance Citation

Ohio Rev. Code § 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**JACKSON TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-005 (Continued)

Noncompliance Citation (Continued)

2. Blanket Certificate – Fiscal officers may prepare so-called “blanket” certificates against any specific line item account over a period not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. No more than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not certify the availability of funds prior to purchase commitment for six percent of the expenditures tested in 2012 and twenty percent of the tested expenditures in 2013 and there was no evidence the Township followed the aforementioned exceptions

In addition the Township used blanket certificates during 2012 and 2013 but there is nothing on file to note that they passed a resolution establishing a threshold for blanket certificates. We also noted the Township issued super blanket certificates for thirty- eight percent in 2012 and thirty-three percent in 2013 of the expenditures tested that did not meet the criteria of professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expenses.

We recommend the Fiscal Officer follow the above noted Ohio Revised Code section when issuing purchase orders, blanket or super blanket certificates. We further recommend the Board of Trustees pass a resolution establishing a dollar threshold amount for the blanket certificates.

Officials Response:

Township Officials declined to respond to any of the aforementioned Findings.

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Dave Yost • Auditor of State

JACKSON TOWNSHIP- GUERNSEY

GUERNSEY 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
NOVEMBER 13, 2014**