



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

JACKSON TOWNSHIP
MUSKINGUM COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Jackson Township
Muskingum County
11895 Hamby Hill Road
Frazeyburg, Ohio 43822

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Jackson Township, Muskingum County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

February 11, 2002

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$20,596	\$89,659	\$13,076	\$123,331
Intergovernmental	27,046	70,546		97,592
Licenses, Permits, and Fees		8,100		8,100
Earnings on Investments	2,957	471		3,428
Other Revenue	3,259	6,462		9,721
	<u>53,858</u>	<u>175,238</u>	<u>13,076</u>	<u>242,172</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	27,466			27,466
Public Safety		39,992		39,992
Public Works	2,706	121,655		124,361
Health	1,335	27,545		28,880
Debt Service:				
Redemption of Principal			11,756	11,756
Interest and Fiscal Charges			5,772	5,772
Capital Outlay	3,282	13,513		16,795
	<u>34,789</u>	<u>202,705</u>	<u>17,528</u>	<u>255,022</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>19,069</u>	<u>(27,467)</u>	<u>(4,452)</u>	<u>(12,850)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		21,452		21,452
Advances-In	1,500	1,500		3,000
Transfers-Out	(21,452)			(21,452)
Advances-Out	(1,500)	(1,500)		(3,000)
	<u>(21,452)</u>	<u>21,452</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,383)	(6,015)	(4,452)	(12,850)
Fund Cash Balances, January 1	<u>20,863</u>	<u>44,162</u>	<u>4,453</u>	<u>69,478</u>
Fund Cash Balances, December 31	<u>\$18,480</u>	<u>\$38,147</u>	<u>\$1</u>	<u>\$56,628</u>
Reserve for Encumbrances, December 31	<u>\$366</u>	<u>\$2,243</u>	<u>\$0</u>	<u>\$2,609</u>

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

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$16,547	\$91,316	\$4,452	\$112,315
Intergovernmental	32,065	78,217		110,282
Licenses, Permits, and Fees		13,050		13,050
Earnings on Investments	4,566	622		5,188
Other Revenue	528	4,734		5,262
	<u>53,706</u>	<u>187,939</u>	<u>4,452</u>	<u>246,097</u>
Total Cash Receipts				
	<u>53,706</u>	<u>187,939</u>	<u>4,452</u>	<u>246,097</u>
Cash Disbursements:				
Current:				
General Government	30,609			30,609
Public Safety		53,636		53,636
Public Works	2,276	98,952		101,228
Health	1,122	32,963		34,085
Miscellaneous	800			800
Debt Service:				
Redemption of Principal			12,908	12,908
Interest and Fiscal Charges			1,070	1,070
Capital Outlay	78,500	567		79,067
	<u>113,307</u>	<u>186,118</u>	<u>13,978</u>	<u>313,403</u>
Total Cash Disbursements				
	<u>113,307</u>	<u>186,118</u>	<u>13,978</u>	<u>313,403</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(59,601)</u>	<u>1,821</u>	<u>(9,526)</u>	<u>(67,306)</u>
Other Financing Receipts/(Disbursements):				
Sale of Notes	68,000			68,000
Refund of Prior Year Expenditures	232	5,411		5,643
Transfers-In	7	7,150	9,274	16,431
Transfers-Out	(16,424)	(7)		(16,431)
	<u>51,815</u>	<u>12,554</u>	<u>9,274</u>	<u>73,643</u>
Total Other Financing Receipts/(Disbursements)				
	<u>51,815</u>	<u>12,554</u>	<u>9,274</u>	<u>73,643</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(7,786)</u>	<u>14,375</u>	<u>(252)</u>	<u>6,337</u>
Fund Cash Balances, January 1	<u>28,649</u>	<u>29,787</u>	<u>4,705</u>	<u>63,141</u>
Fund Cash Balances, December 31	<u><u>\$20,863</u></u>	<u><u>\$44,162</u></u>	<u><u>\$4,453</u></u>	<u><u>\$69,478</u></u>
Reserve for Encumbrances, December 31	<u><u>\$247</u></u>	<u><u>\$13,048</u></u>	<u><u>\$4,453</u></u>	<u><u>\$17,748</u></u>

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

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Jackson Township, Muskingum County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Frazeyburg Volunteer Fire Department to provide fire and ambulance services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

STAROhio is recorded at share values reported by the fund.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money to construct, maintain and repair Township roads and bridges.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain and repair Township roads.

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Funds:

Note Retirement (Truck) Fund - This fund receives property tax money for payment of note indebtedness for the purchase of a dump truck.

Note Retirement (Brush Mower) Fund - This fund receives property tax money for payment of note indebtedness for the purchase of a brush mower.

Note Retirement (Road Grader) Fund - This fund receives property tax money for payment of note indebtedness for the purchase of a road grader.

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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

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 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 carried over, and need not be reappropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$5,627	(\$7,082)
STAROhio	51,001	76,560
Total deposits and investments	\$56,628	\$69,478

Due to the timing of disbursements and outstanding checks at December 31, 2000, the entity reflects a negative balance for demand deposits. However, the Township transferred funds from STAROhio on January 2, 2001 to cover the negative balance.

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

Investments: Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

Fund Type	2001 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$45,458	\$53,858	\$8,400
Special Revenue	198,478	196,690	(1,788)
Debt Service	13,076	13,076	0
Total	\$257,012	\$263,624	\$6,612

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,952	\$56,607	\$4,345
Special Revenue	215,327	204,948	10,379
Debt Service	17,528	17,528	0
Total	\$293,807	\$279,083	\$14,724

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$121,770	\$121,945	\$175
Special Revenue	196,891	200,500	3,609
Debt Service	13,726	13,726	0
Total	\$332,387	\$336,171	\$3,784

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$130,978	\$129,978	\$1,000
Special Revenue	196,218	199,173	(2,955)
Debt Service	13,978	18,431	(4,453)
Total	\$341,174	\$347,582	(\$6,408)

Compliance and Accountability (Continued):

During 2000, expenditures exceeded appropriations in the Note Retirement Brush Mower Debt Service Fund and Road and Bridge Special Revenue Fund by \$4,453 and \$6,643, respectively, contrary to Ohio Revised Code Section 5705.41(B) which prohibits a subdivision from making a disbursement unless it has been appropriated.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$60,444	6.4%

The general obligation notes were issued to finance the purchase of a new motor grader to be used for Township road maintenance. The notes are collateralized solely by the Township's taxing authority.

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

Year ending December 31:	General Obligation Notes
2002	\$11,424
2003	11,940
2004	10,457
2005	9,973
2006	9,490
2007 – 2009	25,568
Total	\$78,852

6. RETIREMENT SYSTEMS

The Township's employees, as well as elected officials, belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% for the periods January 1, 2001 through December 31, 2001 and January 1, 2000 through June 30, 2000. For the period July 1, 2000 through December 31, 2000, PERS temporarily reduced the employer's contribution rate to 8.13% of participants gross salaries. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Jackson Township
Muskingum County
11895 Hamby Hill Road
Frazeyburg, Ohio 43822

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated February 11, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings items 2001-41060-001 through 2001-41060-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated February 11, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated February 11, 2002.

This report is intended solely for the information and use of the management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

February 11, 2002

**JACKSON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-41060-001

Finding For Adjustment

Ohio Rev. Code §505.24 requires trustee's salaries to be paid from the General Fund or from other township funds in such proportions as the Board of Trustees specify by resolution. The resolution should allocate the salaries based on the types of services provided by the trustees. During both 2001 and 2000, the salaries of the trustees were charged entirely to the Gasoline Tax Fund, the Road and Bridge Fund, and the Cemetery Fund. A resolution had not been adopted by the Board of Trustees specifying how Board of Trustee salaries would be allocated. However, activities of an administrative nature, such as monthly meetings, should be charged to the General Fund. On February 7, 2002 the Board of Trustees adopted a retroactive resolution authorizing two months salaries and fringe benefits of each trustee to be charged to the General Fund for 2000 and 2001.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the General Fund, in favor of the Gasoline Tax Fund, Road and Bridge Fund, and Cemetery Fund, in the amounts of \$2,493, \$2,489, and \$2,457, respectively. The adjustment, representing January and February Board of Trustee's salary and fringe benefits, has been agreed to by management of the Township and is reflected in the accompanying financial statements.

FINDING NUMBER 2001-41060-002

Noncompliance Citation

Ohio Rev. Code § 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

During 2000, the Note Retirement - Brush Mower Debt Service Fund and the Road and Bridge Special Revenue Fund were found to have budgetary expenditures which exceeded appropriations by \$4,453 and \$6,643, respectively.

The Township Clerk-Treasurer should deny payment requests exceeding appropriations. The Township Clerk-Treasurer may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2001-41060-003

Noncompliance Citation

Ohio Rev. Code § 5549.21 requires a township to seek competitive bids for the purchase of materials, machinery and tools used in constructing, maintaining and repairing roads when the amount involved exceeds \$15,000. During the audit period, the Township made two separate purchases for road materials which exceeded \$15,000. However, in neither of these instances did the Board of Trustees advertise for or seek competitive bids.

We recommend the Township seek competitive bids for all purchases of road materials when the amount is estimated to meet or exceed \$15,000.



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JACKSON TOWNSHIP

MUSKINGUM 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
APRIL 9, 2002**