

**JACKSON TOWNSHIP
ASHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 - 2004



Mary Taylor, CPA

Auditor of State

Board of Trustees
Jackson Township
464 Township Road 700
Polk, Ohio 44866

We have reviewed the *Independent Accountants' Report* of Jackson Township, Ashland County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Finding for Recovery

The Township purchased a "Cancer Insurance" policy from EMC National Life Company on behalf of Trustee, Fred Yost. During 2006, \$167.28 of the insurance premium was refunded by the insurance company directly to Mr. Yost and Mr. Yost has not remitted this refund to the Township. Ohio Constitution, Article II, Section 20, states that once the compensation has been fixed for an officer, "no change therein shall affect the salary of any officer during his existing term." Insurance benefits are considered compensation. State ex rel. Parsons v. Ferguson (1976), 46 Ohio St.2d 389 at 391. Therefore, an in-term increase or decrease in compensation, here insurance benefits, paid to a township officer during his term would violate the prohibition against in-term compensation changes.

In accordance with the foregoing facts, a Finding for Recovery for public monies collected but unaccounted for, is hereby issued against Fred Yost, and the bonding company, Ohio Township Risk Management Authority, in the amount of \$167.28 and in favor of the General Fund of Jackson Township, Ashland County, Ohio.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Board of Trustees
Jackson Township
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Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Jackson Township is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

May 18, 2007

JACKSON TOWNSHIP
ASHLAND COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Jackson Township
Ashland County
464 Township Road 700
Polk, Ohio 44866

We have audited the accompanying financial statements of Jackson Township, Ashland County, Ohio, as of and for the years ended December 31, 2005 and 2004. 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, if any, 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 described more fully in Note 1, the Township has prepared its 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 variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. While the Township does not follow GAAP, auditing standards generally accepted in the United States of America require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure the financial statement amounts, 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 paragraph, the financial statements referred to above for the years ended December 31, 2005 and 2004 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, 2005 and 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Jackson Township, Ashland County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to accounting principles generally accepted in the United States of America also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 September 29, 2006, on our consideration of Jackson Township's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. 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.

Knox & Knox

Orrville Ohio
September 29, 2006

**JACKSON TOWNSHIP
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$47,495	\$59,026	\$106,521
Licenses, Permits, and Fees	6,880	1,500	8,380
Intergovernmental Receipts	34,013	77,233	111,246
Earnings on Investments	1,141	635	1,776
Miscellaneous	<u>78,453</u>		<u>78,453</u>
Total Cash Receipts	<u>167,982</u>	<u>138,394</u>	<u>306,376</u>
Cash Disbursements:			
Current:			
General Government	72,194		72,194
Public Health		2,475	2,475
Public Works	<u>15,258</u>	<u>117,060</u>	<u>132,318</u>
Total Cash Disbursements	<u>87,452</u>	<u>119,535</u>	<u>206,987</u>
Total Cash Receipts Over/(Under) Cash Disbursements	80,530	18,859	99,389
Fund Cash Balances, January 1	<u>10,912</u>	<u>22,221</u>	<u>33,133</u>
Fund Cash Balances, December 31	<u><u>\$91,442</u></u>	<u><u>\$41,080</u></u>	<u><u>\$132,522</u></u>

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

**JACKSON TOWNSHIP
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$37,134	\$49,225		\$86,359
Licenses, Permits, and Fees	5,225	750		5,975
Intergovernmental Receipts	30,930	86,723		117,653
Earnings on Investments	78	10		88
Miscellaneous	8,803	1,925		10,728
Total Cash Receipts	<u>82,170</u>	<u>138,633</u>		<u>220,803</u>
Cash Disbursements:				
Current:				
General Government	77,638			77,638
Public Health		1,235		1,235
Public Works		128,873		128,873
Total Cash Disbursements	<u>77,638</u>	<u>130,108</u>		<u>207,746</u>
Total Cash Receipts Over/(Under) Cash Disbursements	4,532	8,525		13,057
Other Financing Sources (Uses)				
Transfers-In	4,350	3,090		7,440
Transfers-Out			(7,440)	(7,440)
Total Other Financing Sources	<u>4,350</u>	<u>3,090</u>	<u>(7,440)</u>	
Net Cash Receipts Over/ (Under) Cash Disbursements	8,882	11,615	(7,440)	13,057
Fund Cash Balances, January 1	<u>2,030</u>	<u>10,606</u>	<u>7,440</u>	<u>20,076</u>
Fund Cash Balances, December 31	<u>\$10,912</u>	<u>\$22,221</u>		<u>\$33,133</u>

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

**JACKSON TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Jackson Township, Ashland County, (the Township) is a body of 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 general governmental services, including road, bridge, and cemetery maintenance.

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 reported as assets. 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.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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:

**JACKSON TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

- 2.** *Motor Vehicle License Tax Fund* - This fund receives state motor vehicle license tax money for the construction, repair, and maintenance of Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money for construction, repair, and maintenance of Township roads and bridges.

Road and Bridges Fund - this fund receives real estate and personal property tax money for the construction, repair, and maintenance of Township roads and bridges.

Cemetery Fund - This fund generates money through the selling of cemetery lots and donations from the general public. This money is disbursed for the maintenance and upkeep of Township cemeteries.

3. Capital Projects Fund

This fund is used to account for financial resources to be used for the acquisition or construction of future major capital facilities.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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 Township 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 commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year.

**JACKSON TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Township.

2. EQUITY IN POOLED CASH

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

	<u>2005</u>	<u>2004</u>
Deposits	\$ 52,285	\$ 24,647
Investments in STAR Ohio	<u>80,237</u>	<u>8,486</u>
Total	<u>\$132,522</u>	<u>\$33,133</u>

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

Fund Type	2005 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$92,904	\$167,982	\$75,078
Special Revenue	<u>112,870</u>	<u>138,394</u>	<u>25,524</u>
Total	<u>\$205,774</u>	<u>\$306,376</u>	<u>\$100,602</u>

**JACKSON TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$109,676	\$87,452	\$22,224
Special Revenue	137,800	119,535	18,265
Total	\$247,476	\$206,987	\$40,489

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,549	\$86,520	\$6,971
Special Revenue	113,697	141,723	28,026
Capital Projects	—	—	—
Total	\$193,246	\$228,243	\$34,997

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$79,548	\$77,638	\$1,910
Special Revenue	120,357	130,108	(9,751)
Capital Projects	—	7,440	(7,440)
Total	\$199,905	\$215,186	(\$15,281)

Contrary to the Ohio Revised Code, expenditures exceeded appropriations during 2004 in the Special Revenue and Capital Projects Fund Types; and, appropriations exceeded estimated resources in the General and Special Revenue Fund Types in 2005.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. 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 is due the following June 20.

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.

**JACKSON TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. PROPERTY TAX (Continued)

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

5. RETIREMENT SYSTEMS

The Board of Trustees, Township Clerk, and other employees of the Township 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. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Contributions rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

6. RISK MANAGEMENT

In 2005 and 2004 the Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Public officials' liability.

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KNOX & KNOX

Accountants and Consultants

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

Jackson Township
Ashland County
464 Township Road 700
Polk, Ohio 44866

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Ashland County, Ohio, (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 29, 2006 wherein we noted that the Township prepared its financial statements using accounting practices prescribed by the Auditor of State rather than accounting principles generally accepted in the United States of America. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. In a separate letter to the Township's management dated September 29, 2006, we reported two matters related to non-compliance that we deemed immaterial.

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. In a separate letter to the Township's management dated September 29, 2006 we reported a matter involving internal control over financial reporting that we did not deem a reportable condition.

Jackson Township
Ashland County
Independent Accountants' Report on Compliance and
on Internal Control Required by *Government Auditing Standards*
Page 2

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

KNOX & KNOX

Orrville, Ohio
September 29, 2006



Mary Taylor, CPA
Auditor of State

JACKSON TOWNSHIP

ASHLAND 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, 2007**