

**JACKSON TOWNSHIP
ASHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 - 2006



Mary Taylor, CPA

Auditor of State

Board of Trustees
Jackson Township
799 CR175
West Salem, Ohio 44287

We have reviewed the *Independent Accountants' Report* of Jackson Township, Ashland County, prepared by Knox & Knox, for the audit period January 1, 2006 through December 31, 2007. 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.

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.

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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 20, 2008

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**JACKSON TOWNSHIP
ASHLAND COUNTY**

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Jackson Township
Ashland County
799 CR 175
West Salem, Ohio 44287

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Ashland County, Ohio, as of and for the years ended December 31, 2007 and 2006. 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, 2007 and 2006. In addition to the accompanying financial statement present for 2007 and 2006, the revisions require presenting entity-wide statements. 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 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 paragraph, the financial statements referred to above for the years ended December 31, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years 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, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 12, 2008, 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 12, 2008

**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, 2007**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
CASH RECEIPTS:			
Property and Other Local Taxes	\$43,762	\$62,788	\$106,550
Licenses, Fees, and Permits	11,664	1,050	12,714
Intergovernmental	42,222	88,447	130,669
Earnings on Investments	5,626		5,626
Other	12,450		12,450
	<u>115,724</u>	<u>152,285</u>	<u>268,009</u>
CASH DISBURSEMENTS			
Current:			
General Government	88,774	51,863	140,637
Public Works	14,463	104,687	119,150
Health		2,235	2,235
Debt Service:			
Redemption of Principal	15,011		15,011
Interest/Other Fiscal Charges	4,750		4,750
	<u>122,998</u>	<u>158,785</u>	<u>281,783</u>
Total Receipts Over/(Under) Disbursements)	(7,274)	(6,500)	(13,774)
Fund Cash Balances, January 1	<u>103,911</u>	<u>48,482</u>	<u>152,393</u>
FUND CASH BALANCES, DECEMBER 31	<u><u>\$96,637</u></u>	<u><u>\$41,982</u></u>	<u><u>\$138,619</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, 2006**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
CASH RECEIPTS:			
Property and Other Local Taxes	\$45,689	\$62,759	\$108,448
Licenses, Fees, and Permits	10,150	4,075	14,225
Intergovernmental	47,093	81,542	128,635
Earnings on Investments	5,276		5,276
Other	11,154		11,154
	<u>119,362</u>	<u>148,376</u>	<u>267,738</u>
CASH DISBURSEMENTS			
Current:			
General Government	97,337	48,869	146,206
Public Works	111,526	89,495	201,021
Health		2,610	2,610
	<u>208,863</u>	<u>140,974</u>	<u>349,837</u>
Total Receipts Over/(Under) Disbursements)	(89,501)	7,402	(82,099)
OTHER FINANCING RECEIPTS/DISBURSEMENTS			
Sale of Notes	101,970		101,970
	<u>101,970</u>	<u> </u>	<u>101,970</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements			
	12,469	7,402	19,871
Fund Cash Balances, January 1	<u>91,442</u>	<u>41,080</u>	<u>132,522</u>
FUND CASH BALANCES, DECEMBER 31	<u>\$103,911</u>	<u>\$48,482</u>	<u>\$152,393</u>

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

**JACKSON TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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 included in fund 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.

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
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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.

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 department, division, or office level of control, and within each, the amounts appropriated for personal services. 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 in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**JACKSON TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	2007	2006
Deposits	\$49,390	\$67,241
Investments in STAR Ohio	89,229	85,152
Total deposits and investments	\$138,619	\$152,393

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, 2007 and 2006 follows:

Fund Type	2007 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$83,210	\$115,725	\$32,515
Special Revenue	146,194	152,285	6,091
Total	\$229,404	\$268,010	\$38,606

**JACKSON TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

3. BUDGETARY ACTIVITY (continued)

2007 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$187,120	\$122,998	\$64,122
Special Revenue	194,676	158,785	35,891
Total	\$381,796	\$281,783	\$100,013

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$81,455	\$221,332	\$139,877
Special Revenue	123,871	148,376	24,505
Total	\$205,326	\$369,708	164,382

2006 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$229,409	\$208,864	\$20,545
Special Revenue	164,951	140,974	23,977
Total	\$394,360	\$349,838	\$44,522

In 2006, appropriations were greater than estimated resources in the general fund contrary to Ohio law.

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 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 3.

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

**JACKSON TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

5. DEBT

The Township borrowed \$101,970 in 2006 to acquire trucks. The loan was from a commercial bank and accrues interest at 4.5%. Semi annual payments are \$9,981. The following is a schedule of principal and interest due in future years.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$15,846	\$4,116	\$19,962
2009	16,562	3,400	19,962
2010	17,281	2,681	19,962
2011	17,994	1,968	19,962
2012	19,276	686	19,962
Totals	<u>\$86,959</u>	<u>\$12,851</u>	<u>\$99,810</u>

6. 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 2007 and 2006, PERS members contributed 9.5% and 9.0% of their gross salaries, respectively. The Township contributed an amount equal to 13.85% in 2007 and 13.7% in 2006. of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

7. RISK MANAGEMENT

In 2007 and 2006 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 INTERNAL CONTROL
AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Jackson Township
Ashland County
799 cr 175
West Salem, Ohio 44287

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, 2007 and 2006, and have issued our report thereon dated September 12, 2008 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Township's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we noted other matters that we reported to the Township in a separate letter dated September 12, 2008.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Township's basic 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 one instance of noncompliance that we must report under *Government Auditing Standards*, which is shown in the accompanying schedule as Finding 2007-01..

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

KNOX & KNOX

Orrville, Ohio
September 12, 2008

JACKSON TOWNSHIP
ASHLAND COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-01

Noncompliance Citation

Ohio Revised Code Section 5705.39 limits appropriations to the amounts of estimated resources as certified by the County Budget Commission.

During 2006, appropriations were greater than estimated resources in the general fund.

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$172,895	\$229,409	(\$56,514)

To avoid overspending we recommend that all funds expended be appropriated.

Client Response: None.

**JACKSON TOWNSHIP
ASHLAND COUNTY**

**PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

FINDING FOR RECOVERY

A finding in favor of the General Fund in the amount of \$167.28 had been issued. The finding has been paid.



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
DECEMBER 9, 2008**