

**JACKSON TOWNSHIP
ASHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009 - 2008



Mary Taylor, CPA

Auditor of State

Board of Trustees
Jackson Township
799 CR 175
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, 2008 through December 31, 2009. 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

October 15, 2010

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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, (the Township) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require 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 two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, 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 and reserves for encumbrances of Jackson Township, Ashland County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the basis of accounting Note 1 describes.

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 August 31, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards*. You should read in conjunction with this report in assessing the results of our audit.

KNOX & KNOX

Orrville Ohio
August 31, 2010

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, 2009

| | Governmental Fund Types | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|--------------------------------|
| | General | Special Revenue | |
| CASH RECEIPTS: | | | |
| Property and Other Local Taxes | \$53,919 | \$58,496 | \$112,415 |
| Licenses, Fees, and Permits | 9,438 | 2,725 | 12,163 |
| Intergovernmental | 53,866 | 86,201 | 140,067 |
| Earnings on Investments | 232 | 91 | 323 |
| Miscellaneous | 2,630 | 1,770 | 4,400 |
| Total Cash Receipts | 120,085 | 149,283 | 269,368 |
| CASH DISBURSEMENTS | | | |
| Current: | | | |
| General Government | 87,390 | 53,899 | 141,289 |
| Public Works | 5,352 | 88,092 | 93,444 |
| Health | | 2,364 | 2,364 |
| Conservation/Recreation | | 351 | 351 |
| Debt Service: | | | |
| Redemption of Principal | 16,562 | | 16,562 |
| Interest/Other Fiscal Charges | 3,400 | | 3,400 |
| Total Cash Disbursements | 112,704 | 144,706 | 257,410 |
| Total Receipts Over/(Under) Disbursements) | 7,381 | 4,577 | 11,958 |
| Fund Cash Balances, January 1 | 24,154 | 24,401 | 48,555 |
| FUND CASH BALANCES, DECEMBER 31 | \$31,535 | \$28,978 | \$60,513 |
| Reserve for Encumbrances, December 31 | \$180 | | \$180 |

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, 2008

| | Governmental Fund Types | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|--------------------------------|
| | General | Special Revenue | |
| CASH RECEIPTS: | | | |
| Property and Other Local Taxes | \$50,305 | \$61,968 | \$112,273 |
| Licenses, Fees, and Permits | 14,380 | 2,375 | 16,755 |
| Intergovernmental | 47,338 | 92,239 | 139,577 |
| Earnings on Investments | 3,558 | | 3,558 |
| Other | 1,752 | 250 | 2,002 |
| Total Cash Receipts | 117,333 | 156,832 | 274,165 |
| CASH DISBURSEMENTS | | | |
| Current: | | | |
| General Government | 101,817 | 57,019 | 158,836 |
| Public Works | 62,137 | 120,828 | 182,965 |
| Health | | 2,466 | 2,466 |
| Debt Service: | | | |
| Redemption of Principal | 15,846 | | 15,846 |
| Interest/Other Fiscal Charges | 4,116 | | 4,116 |
| Total Cash Disbursements | 183,916 | 180,313 | 364,229 |
| Total Receipts Over/(Under) Disbursements) | (66,583) | (23,481) | (90,064) |
| OTHER FINANCING RECEIPTS/DISBURSEMENTS | | | |
| Transfers-In | | 5,900 | 5,900 |
| Transfers-Out | (5,900) | | (5,900) |
| Total Other Financing Receipts/Disbursements | (5,900) | 5,900 | |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (72,483) | (17,581) | (90,064) |
| Fund Cash Balances, January 1 | 96,637 | 41,982 | 138,619 |
| FUND CASH BALANCES, DECEMBER 31 | \$24,154 | \$24,401 | \$48,555 |

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, 2009 AND 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

The constitution and laws of the State of Ohio establish the rights and privileges of Jackson Township, Ashland County (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, road and bridge maintenance, and cemetery maintenance.

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 basis of accounting the Auditor of State prescribes or permits. The 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 AND INVESTMENTS**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. The basis records gains or losses at the time of sale as receipts and disbursements, respectively.

Money market mutual funds (including STAR Oho) are recorded at share values the mutual funds report.

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, 2009 AND 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

D. **FUND ACCOUNTING (continued)**

2. **Special Revenue Funds (continued)**

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.

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

Cemetery Fund - This fund generates money through the sale 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 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. 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 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 2009 and 2008 budgetary activity appears in Note 3.

JACKSON TOWNSHIP
ASHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **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 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:

| | 2009 | 2008 |
|--------------------------------|----------|----------|
| Deposits | \$28,785 | \$16,915 |
| Investments in STAR Ohio | 31,728 | 31,640 |
| Total deposits and investments | \$60,513 | \$48,555 |

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, 2009 and 2008 follows:

| Fund Type | 2009 Budgeted vs. Actual Receipts | | |
|-----------------|-----------------------------------|--------------------|------------|
| | Budgeted Receipts | Actual Receipts | Variance |
| General | \$117,333 | \$120,085 | \$2,752 |
| Special Revenue | 162,732 | 149,283 | (13,449) |
| Total | \$280,065 | \$269,368 | (\$10,697) |

| Fund Type | 2009 Budgeted vs Actual Budgetary Basis Expenditures | | |
|-----------------|--|---------------------------|----------|
| | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$137,726 | \$112,884 | \$24,842 |
| Special Revenue | 171,942 | 144,706 | 27,236 |
| Total | \$309,668 | \$257,590 | \$52,078 |

JACKSON TOWNSHIP
ASHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

3. BUDGETARY ACTIVITY (continued)

| 2008 Budgeted vs. Actual Receipts | | | |
|--|----------------------------|---------------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$195,030 | \$117,333 | (\$77,697) |
| Special Revenue | 95,596 | 162,732 | 67,136 |
| Total | \$290,626 | \$280,065 | (10,561) |
| 2008 Budgeted vs Actual Budgetary Basis Expenditures | | | |
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$215,142 | \$189,816 | \$25,326 |
| Special Revenue | 198,880 | 180,313 | 18,567 |
| Total | \$414,022 | \$370,129 | \$43,893 |

Contrary to Ohio law, appropriations exceeded estimated resources in the Gasoline Tax Fund by \$78,439 for the year ended December 31, 2008.

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.

5. DEBT

The Township borrowed \$101,970 in 2006 to finance the purchase of trucks. The loan was from a commercial bank and accrues interest at 4.5%. Semi annual payments are \$9,981.

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

JACKSON TOWNSHIP
ASHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

5. **DEBT** (continued)

| Year ending <u>December 31:</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|------------------|-----------------|-----------------|
| 2010 | \$17,281 | \$2,681 | \$19,962 |
| 2011 | 17,994 | 1,968 | 19,962 |
| 2012 | <u>19,276</u> | <u>686</u> | <u>19,962</u> |
| Totals | <u>\$54,551</u> | <u>\$5,335</u> | <u>\$59,886</u> |

6. **RETIREMENT SYSTEMS**

The Board of Trustees, Township Clerk, and other employees of the Township 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 prescribes contribution rates. For 2009 and 2008 OPERS members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

7. **RISK MANAGEMENT**

Commercial Insurance

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, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 21, 2010 wherein we noted Jackson Township, Ohio followed accounting practices prescribed by the Auditor of State. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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 control deficiencies, resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies 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.

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 or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-01.

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

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 31, 2010.

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
August 31, 2010

JACKSON TOWNSHIP
ASHLAND COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-01

Noncompliance Citation

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

During 2008, appropriations were greater than estimated resources in the Gasoline Tax Fund.

| | <u>Estimated Resources</u> | <u>Appropriations</u> | <u>Variance</u> |
|-------------------|----------------------------|-----------------------|-----------------|
| Gasoline Tax Fund | \$39,341 | \$117,780 | (\$78,439) |

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, 2009 AND 2008

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|--|------------------|---|
| 2007-01 | ORC 5705.39 limits appropriations to the amounts of estimated resources. | No | Not Corrected; Reported as 2009-01 |



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
NOVEMBER 4, 2010**