



**Auditor of State  
Betty Montgomery**



JACKSON TOWNSHIP  
MUSKINGUM COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Township 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, 2003 and 2002. 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.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As described 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, 2003 and 2002, 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 July 22, 2004 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.

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This report is intended solely for the information and use of the audit committee, management, the Board of Township 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.

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

**Betty Montgomery**  
Auditor of State

July 22, 2004

**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, 2003**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Cash Receipts:</b>				
Local Taxes	\$20,770	\$94,546	\$10,940	\$126,256
Intergovernmental	24,905	84,245		109,150
Special Assessments			2,307	2,307
Licenses, Permits, and Fees		13,650		13,650
Earnings on Investments	878	227		1,105
Other Revenue	117	6,919		7,036
	46,670	199,587	13,247	259,504
<b>Cash Disbursements:</b>				
Current:				
General Government	36,371			36,371
Public Safety		57,593		57,593
Public Works		102,787		102,787
Health		30,198		30,198
Miscellaneous	1,365			1,365
Debt Service:				
Redemption of Principal			63,237	63,237
Interest and Fiscal Charges			4,213	4,213
	37,736	190,578	67,450	295,764
Total Cash Disbursements	37,736	190,578	67,450	295,764
Total Cash Receipts Over/(Under) Cash Disbursements	8,934	9,009	(54,203)	(36,260)
<b>Other Financing Receipts/(Disbursements):</b>				
Proceeds from Sale of Public Debt:				
Sale of Notes			52,888	52,888
Transfers-In		3,198	1,000	4,198
Advances-In	1,981	800	1,775	4,556
Transfers-Out	(3,000)	(1,198)		(4,198)
Advances-Out	(2,575)	(800)	(1,181)	(4,556)
Other Uses			(3,822)	(3,822)
	(3,594)	2,000	50,660	49,066
Total Other Financing Receipts/(Disbursements)	(3,594)	2,000	50,660	49,066
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,340	11,009	(3,543)	12,806
Fund Cash Balances, January 1	27,723	50,703	3,822	82,248
<b>Fund Cash Balances, December 31</b>	<b>\$33,063</b>	<b>\$61,712</b>	<b>\$279</b>	<b>\$95,054</b>
Reserve for Encumbrances, December 31	\$12,275	\$8,231	\$0	\$20,506

*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, 2002**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Cash Receipts:</b>				
Local Taxes	\$20,056	\$81,922	\$11,424	\$113,402
Intergovernmental	26,613	75,243		101,856
Special Assessments			29,256	29,256
Licenses, Permits, and Fees		9,000		9,000
Earnings on Investments	1,123	436		1,559
Other Revenue	1,033	6,975		8,008
	48,825	173,576	40,680	263,081
<b>Cash Disbursements:</b>				
Current:				
General Government	34,667			34,667
Public Safety		30,432		30,432
Public Works		138,941		138,941
Health		24,939		24,939
Miscellaneous	1,289	16,383		17,672
Debt Service:				
Redemption of Principal			52,556	52,556
Interest and Fiscal Charges			4,546	4,546
Capital Outlay	1,055			1,055
	37,011	210,695	57,102	304,808
Total Cash Disbursements	37,011	210,695	57,102	304,808
Total Cash Receipts Over/(Under) Cash Disbursements	11,814	(37,119)	(16,422)	(41,727)
<b>Other Financing Receipts/(Disbursements):</b>				
Proceeds from Sale of Public Debt:				
Sale of Bonds			22,345	22,345
Sale of Notes		45,000		45,000
Transfers-In	1	4,601		4,602
Advances-In	1,427	1,500		2,927
Transfers-Out	(2,500)		(2,102)	(4,602)
Advances-Out	(1,500)	(1,427)		(2,927)
	(2,572)	49,674	20,243	67,345
Total Other Financing Receipts/(Disbursements)	(2,572)	49,674	20,243	67,345
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	9,242	12,555	3,821	25,618
Fund Cash Balances, January 1	18,481	38,148	1	56,630
<b>Fund Cash Balances, December 31</b>	<b>\$27,723</b>	<b>\$50,703</b>	<b>\$3,822</b>	<b>\$82,248</b>
Reserve for Encumbrances, December 31	\$377	\$2,133	\$0	\$2,510

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



**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**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 Frazeytsburg Volunteer Fire Department to provide emergency medical 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 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.

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:

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(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 for constructing, maintaining and repairing Township roads.

*Special Assessment Hi-Lo Drive Fund* – This fund was established once the Township issued notes to pay for construction of Hi-Lo Drive.

**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:

*Hi-Lo Drive Bond Retirement Fund* – This fund was established to accumulate property assessments for, and the payment of, long-term debt principal, interest, and related costs for debt issued by the Township for construction of a new road.

*Road Grader Note Retirement Fund* – This fund receives property tax monies 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.

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**E. Budgetary Process (Continued)**

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**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:

	2003	2002
Demand deposits	\$8,657	\$5,311
STAROhio	86,397	76,937
Total deposits and investments	\$95,054	\$82,248

**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 ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$30,640	\$46,670	\$16,030
Special Revenue	189,159	202,785	13,626
Debt Service	10,940	67,135	56,195
Total	\$230,739	\$316,590	\$85,851

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$53,425	\$53,011	\$414
Special Revenue	209,497	200,007	9,490
Debt Service	10,940	71,272	(60,332)
Total	\$273,862	\$324,290	(\$50,428)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,914	\$48,826	\$4,912
Special Revenue	183,508	223,177	39,669
Debt Service	57,362	63,025	5,663
Total	\$284,784	\$335,028	\$50,244

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$59,013	\$39,888	\$19,125
Special Revenue	251,546	212,828	38,718
Debt Service	57,362	59,204	(1,842)
Total	\$367,921	\$311,920	\$56,001

**Accountability and Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the Road District, Federal Emergency Management Agency (FEMA), Note Retirement–Grader, and General Bond Retirement Funds by \$2,842, \$1,198, \$63,550, and \$3,901, respectively, for the year ended December 31, 2003. Budgetary expenditures exceeded appropriations in the Gasoline Tax, Fire District and Bond Anticipation Funds by \$244, \$2,733 and \$1,841, respectively, for the year ended December 31, 2002.

Also contrary to Ohio law, amendments made to the Township’s appropriations were neither formally approved by the Board of Trustees nor certified to the County Auditor. Also contrary to Ohio law, amended certificates of estimated resources were not obtained for additional funds received, and subsequently expended, in the General, Gasoline Tax, Road District, FEMA, Note Retirement-Grader, and General Bond Retirement Funds during 2003 and in the Gasoline Tax, Cemetery, Fire District, and Bond Anticipation Note Funds in 2002.

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 payment, the first half is due December 31. The second half payment 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.

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

**5. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes (Refinanced)	\$45,333	4.50%
Special Assessment Bonds	19,552	5.50%
Total	<u>\$64,885</u>	

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. In June 2003, the Township refinanced the general obligation notes.

The Special Assessment Bonds were issued to finance improvements to Hi-Lo Drive. Repayment of the debt will be made from assessments collected from residents.

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

	<u>General Obligation Notes- Grader</u>	<u>Special Assessment Bonds</u>	<u>Total</u>
Year ending December 31:			
2004	\$9,596	\$3,860	\$13,456
2005	9,256	3,702	\$12,958
2006	8,916	3,546	\$12,462
2007	8,576	3,390	\$11,966
2008	8,236	3,236	\$11,472
2009 – 2010	7,896	6,001	\$13,897
Total	<u>\$52,476</u>	<u>\$23,735</u>	<u>\$76,211</u>

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Township's employees 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 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

**7. RISK MANAGEMENT**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

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**Auditor of State  
Betty Montgomery**

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

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

To the Board of Township Trustees:

We have audited the financial statements of Jackson Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated July 22, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 which are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-002 thru 2003-005. We also noted immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 22, 2004.

**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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 2003-001 and 2003-005.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses. We also noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management in a separate letter dated July 22, 2004.

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

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

**Betty Montgomery**  
Auditor of State

July 22, 2004

JACKSON TOWNSHIP  
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

**Material Weakness**

The Township should post to each receipts account the estimated amount of money anticipated to be received into the account as specified by the county budget commission in its official estimate of balances and receipts set forth in the Certificate of Estimated Resources and any amendments thereto.

The Township receipts ledger did not reflect all amounts as listed in the Amended Certificates of Estimated Resources that were filed and approved by the County Auditor in 2002 and 2003. Variances existed between the certified estimated resources and the amounts posted to the accounting system throughout the year. The following table details these variances:

	<u>Fund</u>	<u>Amended Certificate</u>	<u>the Accounting System</u>	<u>Variance</u>
2003				
	General	\$30,640	\$43,888	\$13,248
	Gasoline Tax	\$51,250	\$55,250	\$4,000
	Road and Bridge	\$34,709	\$37,156	\$2,447
	Cemetery	\$37,342	\$37,750	\$408
	Road District	\$29,925	\$34,188	\$4,263
	Special Assessment Hi-Lo Drive	\$3,455	\$0	(\$3,455)
	General Bond Retirement	\$0	\$5,385	\$5,385
2002				
	General	\$43,914	\$44,790	\$876
	Fire District	\$15,761	\$16,569	\$808
	Road District	\$29,904	\$30,704	\$800
	Special Assessment Hi-Lo Drive	\$96,763	\$45,000	(\$51,763)
	Bond Anticipation Note	\$45,938	\$51,763	\$5,825

This resulted in inaccurate budget to actual revenue comparisons in the annual report and for use as a basis for managing the Township.

We recommend the Township records be updated in a timely manner to reflect any amendments and changes in budgetary information and that posted amounts be verified to estimated receipts certified in the latest Amended Certificate of Estimated Resources approved by the Board of Trustees. The accompanying budgetary presentation includes only budgeted receipts certified to the County Auditor.

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-002**

**Noncompliance Citation**

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 specifies by resolution. The resolution should allocate the salaries based on the types of services provided by the trustees.

Although a resolution adopted on February 7, 2002 authorized two months salaries and fringe benefits of each Trustee to be charged to the General Fund, the employer contributions of OPERS for the Trustees were charged to the Gasoline Tax Fund, Road and Bridge Fund and the Cemetery Fund, rather than to the General Fund for these two months.

As a result, an adjustment was necessary to decrease the Gasoline Tax Fund, Road and Bridge Fund and Cemetery Fund expenditures by \$1,011 and increase the General Fund expenditures by a like amount.

This adjustment, with which Township management agrees, has been posted to the Township's books and is reflected in the accompanying financial statements.

**FINDING NUMBER 2003-003**

**Noncompliance Citation**

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated. During the years ended December 31, 2003 and 2002, the Township had expenditures which exceeded appropriations as follows:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
<u>2003</u>			
Road District	\$34,000	\$36,842	(\$2,842)
FEMA	\$0	\$1,198	(\$1,198)
Road Grader Note Retirement	\$0	\$63,550	(\$63,550)
General Bond Retirement	\$0	\$3,901	(\$3,901)
<u>2002</u>			
Gasoline Tax	\$46,593	\$46,837	(\$244)
Fire District	\$14,000	\$16,733	(\$2,733)
Bond Anticipation Note	\$45,938	\$47,779	(\$1,841)

The practice of allowing expenditures to exceed appropriations could result in deficit spending within these funds.

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-003 (Continued)**

**Noncompliance Citation (Continued)**

**Ohio Rev. Code § 5705.41(B) (Continued)**

The Township Clerk should deny payment requests exceeding appropriations. We recommend the Township Clerk and the Board of Trustees compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then the Board of Trustees should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

**FINDING NUMBER 2003-004**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36 allows for all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

During our review we noted the following instances in which an increased amended certificated should have been obtained:

<u>Fund</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
<u>2003</u>			
FEMA	\$0	\$1,198	\$1,198
Road Grader Note Retirement	\$10,940	\$63,829	\$52,889
General Bond Retirement	\$0	\$3,306	\$3,306
<u>2002</u>			
Gasoline Tax	\$45,275	\$50,508	\$5,233
Fire District	\$15,761	\$16,569	\$808
Bond Anticipation Note	\$45,938	\$51,601	\$5,663

In all of the cases above, all or a portion of these additional receipts were expended by the Township. Therefore, the Township should have requested an increased amended certificate. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

During our review we noted the following instances in which a reduced amended certificate should have been obtained:

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**FINDING NUMBER 2003-004 (Continued)**

**Noncompliance Citation (Continued)**

**Ohio Rev. Code Section 5705.36 (Continued)**

Fund	Total Appropriated	Actual Receipts plus Beginning Fund Balance	Variance
<u>2003</u>			
Fire District	\$25,393	\$24,875	(\$518)
Special Assessment Hi-Lo Drive	\$3,907	\$0	(\$3,907)
<u>2002</u>			
Road and Bridge	\$45,353	\$45,002	(\$351)
Road District	\$30,000	\$18,909	(\$11,091)
Special Assessment Hi-Lo Drive	\$50,823	\$47,101	(\$3,722)

In all of the cases above, the amount of the deficiency reduced available resources below the level of appropriation for the applicable year. Therefore, the Township should have requested a reduced amended certificate.

We recommend the Township monitor budgeted versus actual receipts more carefully. When the Township anticipates appropriating or expending additional revenue or that a deficiency will reduce resources below appropriations, an amended certificate of estimated resources should be obtained.

**FINDING NUMBER 2003-005**

**Noncompliance Citation and Material Weakness**

Ohio Rev. Code Section 5705.40 provides that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

The Township Clerk posted multiple appropriation amendments throughout the audit period. However, these amendments were not always certified to the County Auditor. The appropriations as approved by the Board did not agree to the appropriations entered into the appropriations ledger. The following schedules compare approved appropriations to those posted to the appropriations ledger:

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**FINDING NUMBER 2003-005 (Continued)**

**Noncompliance Citation and Material Weakness (Continued)**

**Ohio Rev. Code Section 5705.40 (Continued)**

Fund	Appropriations Posted to the System	Approved Appropriations	Variance
<u>December 31, 2003</u>			
General	\$61,448	\$53,048	(\$8,400)
Gasoline Tax	\$60,660	\$58,660	(\$2,000)
Road and Bridge	\$42,389	\$37,389	(\$5,000)
Road District	\$37,000	\$34,000	(\$3,000)
Special Assessment Hi-Lo Drive	\$0	\$3,907	\$3,907
FEMA	\$1,198	\$0	(\$1,198)
Road Grader Note Retirement	\$10,940	\$0	(\$10,940)
Bond Anticipation Note	\$3,822	\$10,940	\$7,118
General Bond Retirement	\$5,088	\$0	(\$5,088)
 <u>December 31, 2002</u>			
General	\$59,597	\$58,647	(\$950)
Gasoline Tax	\$45,688	\$45,188	(\$500)
Fire District	\$16,733	\$14,000	(\$2,733)
Road District	\$30,800	\$30,000	(\$800)
Special Assessment Hi-Lo Drive	\$51,761	\$50,823	(\$938)
Bond Anticipation Note	\$48,039	\$45,938	(\$2,101)

Appropriations as reported have been adjusted to reflect only those appropriations adopted by the Board of Township Trustees and certified by the County Auditor.

We recommend; the Board of Trustees approve all appropriation amendments and note the approval in the Board of Trustee's minutes, the Township Clerk file all appropriation amendments with the County Auditor in order to receive certification from the County Auditor that appropriations do not exceed estimated resources, and the Clerk post appropriation amendments to the accounting system only after both the Board of Trustees and the County Auditor have approved and certified the amendments.

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-41060-001	Ohio Rev. Code Section 505.24, improper allocation of Township Trustee salaries and fringe benefits.	No	Partially Corrected –Repeated as Finding Number 2003-002
2001-41060-002	Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations.	No	Not Corrected - Repeated as Finding Number 2003-003
2001-41060-003	Ohio Rev. Code Section 5549.21, competitive bidding procedures.	Yes	Corrected





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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  
AUGUST 26, 2004**