



**JACKSON TOWNSHIP
COSHOCTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005



Mary Taylor, CPA
Auditor of State

JACKSON TOWNSHIP
COSHOCOTON COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Jackson Township
Coshocton County
43819 County Road 58
Coshocton, Ohio 43812-9544

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Township, Coshocton County, Ohio, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. 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. The Township processes its financial transactions with 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 our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Township, Coshocton County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and the Fire District Fund thereof for the year ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2007, 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 *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 21, 2007

Jackson Township
Coshocton County

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of the Jackson Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities were \$84,652.

The Township's general receipts are primarily property taxes. These receipts represent 90 percent of the total general receipts received for governmental activities during the year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Jackson Township
Coshocton County

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, all of the Township's services are reported as governmental activities. The Township does not have any business type activities.

Governmental Activities. All of the Township's services are reported here, including police, fire, and streets. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are all in one category: governmental.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and the Fire District Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Jackson Township
Coshocton County

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 on a cash basis. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 1)

Net Assets

	Governmental Activities
	<u>2005</u>
Assets	
Cash and Cash Equivalents	<u>\$84,652</u>
Net Assets	
Restricted for:	
Permanent Fund	\$1,070
Other Purposes	63,212
Unrestricted	<u>20,370</u>
Total Net Assets	<u>\$84,652</u>

Over time, net assets can serve as a useful indicator of the Township's financial position.

Table 2 reflects the changes in net assets on a cash basis in 2005 for governmental activities. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Jackson Township
Coshocton County

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities
	<u>2005</u>
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$14,600
Operating Grants and Contributions	<u>109,658</u>
Total Program Receipts	<u>124,258</u>
General Receipts:	
Property and Other Local Taxes	148,068
Grants and Entitlements Not Restricted to Specific Programs	11,917
Earnings on Investments	1,813
Miscellaneous	<u>2,215</u>
Total General Receipts	<u>164,013</u>
Total Receipts	<u>288,271</u>
Disbursements:	
General Government	84,704
Public Safety	69,936
Public Works	162,139
Health	6,719
Capital Outlay	5,376
Debt Service:	
Principal	31,467
Interest	<u>9,186</u>
Total Disbursements	<u>369,527</u>
Increase (Decrease) in Net Assets	(81,256)
Net Assets, January 1	<u>165,908</u>
Net Assets, December 31	<u><u>\$84,652</u></u>

Program receipts represent 43 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

Jackson Township
Coshocton County

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

General receipts represent 57 percent of the Township's total receipts, and of this amount, about 90 percent are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (7 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Board, and internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs.

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public works and general government, which account for 44 percent and 23 percent of all governmental disbursements, respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$84,704	(\$61,643)
Public Safety	69,936	(61,491)
Public Works	162,139	(69,387)
Health	6,719	(6,719)
Capital Outlay	5,376	(5,376)
Debt Service:		
Principal	31,467	(31,467)
Interest	9,186	(9,186)
Total Expenses	<u>\$369,527</u>	<u>(\$245,269)</u>

The dependence upon property tax receipts is apparent as over 42 percent of governmental activities are supported through these general receipts.

Jackson Township
Coshocton County

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Township's Funds

Total governmental funds had receipts of \$289,174 and disbursements of \$370,430. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$33,242 as the result of disbursements exceeding receipts. There were also significant changes within the Major Gasoline Tax and Major Road and Bridge Funds.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

During 2005, the Township amended its General Fund budget to reflect changing circumstances. Final receipts were budgeted at \$104,793 while actual receipts were \$103,753. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$158,733 while actual disbursements were \$136,995. The difference between final budgeted disbursements and actual disbursements was primarily due to actual disbursements being less than budgeted. The Township made all efforts to keep spending below budgeted amounts.

Debt Administration

At December 31, 2005, the Township's outstanding debt included \$25,857 issued for the purchase of a dump truck, and \$182,787 issued for the firehouse. For further information regarding the Township's debt, refer to Note 11 to the financial statements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Shelly Webb, Township Fiscal Officer, Jackson Township, 43819 County Road 58, Coshocton, Ohio 43812.

**JACKSON TOWNSHIP
COSHOCTON COUNTY**

*Statement of Net Assets - Cash Basis
December 31, 2005*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$84,652</u></u>
Net Assets	
Restricted for:	
Permanent Fund	\$1,070
Other Purposes	63,212
Unrestricted	20,370
<i>Total Net Assets</i>	<u><u>\$84,652</u></u>

See accompanying notes to the basic financial statements

**JACKSON TOWNSHIP
COSHOCTON COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2005*

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	
			Governmental Activities	
Governmental Activities				
General Government	\$84,704	\$14,600	\$8,461	(\$61,643)
Public Safety	69,936		8,445	(61,491)
Public Works	162,139		92,752	(69,387)
Health	6,719			(6,719)
Capital Outlay	5,376			(5,376)
Debt Service:				
Principal	31,467			(31,467)
Interest	9,186			(9,186)
<i>Total Governmental Activities</i>	<u>\$369,527</u>	<u>\$14,600</u>	<u>\$109,658</u>	(245,269)
General Receipts				
Property Taxes				148,068
Grants and Entitlements not Restricted to Specific Programs				11,917
Earnings on Investments				1,813
Miscellaneous				2,215
<i>Total General Receipts</i>				164,013
Change in Net Assets				(81,256)
<i>Net Assets Beginning of Year</i>				165,908
<i>Net Assets End of Year</i>				<u>\$84,652</u>

See accompanying notes to the basic financial statements

**JACKSON TOWNSHIP
COSHOCOTON COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005*

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	FIRE DISTRICT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets						
Equity in Pooled Cash and Cash Equivalents	\$20,370	\$9,305	\$5,390	\$40,616	\$8,971	\$84,652
Fund Balances						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	20,370					20,370
Special Revenue Funds		9,305	5,390	40,616	7,901	63,212
Permanent Fund					1,070	1,070
<i>Total Fund Balances</i>	<u>\$20,370</u>	<u>\$9,305</u>	<u>\$5,390</u>	<u>\$40,616</u>	<u>\$8,971</u>	<u>\$84,652</u>

See accompanying notes to the basic financial statements

**JACKSON TOWNSHIP
COSHOCTON COUNTY**

*Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005*

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	FIRE DISTRICT	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts						
Property and Other Local Taxes	\$66,407		\$19,369	\$62,292		\$148,068
Intergovernmental	20,378	\$73,230	5,609	7,735	\$13,912	120,864
Earnings on Investments	1,059	371			383	1,813
Miscellaneous	15,909	12	37	710		16,668
Total Receipts	103,753	73,613	25,015	70,737	14,295	287,413
Disbursements						
Current:						
General Government	84,704					84,704
Public Safety	15,468			54,468		69,936
Public Works	8,501	82,586	39,463		31,589	162,139
Health	6,719					6,719
Capital Outlay	700			4,676		5,376
Debt Service:						
Principal	15,000	8,619		7,848		31,467
Interest	5,000	1,287		2,899		9,186
Total Disbursements	136,092	92,492	39,463	69,891	31,589	369,527
Excess of Receipts Over (Under) Disbursements	(32,339)	(18,879)	(14,448)	846	(17,294)	(82,114)
Other Financing Sources (Uses)						
Transfers In		900				900
Transfers Out	(903)					(903)
Other Financing Sources				829	32	861
Total Other Financing Sources (Uses)	(903)	900	0	829	32	858
Net Change in Fund Balances	(33,242)	(17,979)	(14,448)	1,675	(17,262)	(81,256)
Fund Balances Beginning of Year	53,612	27,284	19,838	38,941	26,233	165,908
Fund Balances End of Year	<u>\$20,370</u>	<u>\$9,305</u>	<u>\$5,390</u>	<u>\$40,616</u>	<u>\$8,971</u>	<u>\$84,652</u>

See accompanying notes to the basic financial statements

**JACKSON TOWNSHIP
COSHOCOTON COUNTY**

*Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$73,762	\$73,762	\$66,407	(\$7,355)
Intergovernmental	11,309	15,781	20,378	4,597
Earnings on Investments	2,200	2,200	1,059	(1,141)
Miscellaneous	13,000	13,000	15,909	2,909
<i>Total Receipts</i>	100,271	104,743	103,753	(990)
Disbursements				
Current:				
General Government	90,626	93,526	84,704	8,822
Public Safety	20,500	17,600	15,468	2,132
Public Works	9,280	10,280	8,501	1,779
Health	6,507	8,707	6,719	1,988
Capital Outlay	22,000	7,700	700	7,000
Debt Service:				
Principal	5,000	15,000	15,000	0
Interest	20	5,000	5,000	0
<i>Total Disbursements</i>	153,933	157,813	136,092	21,721
<i>Excess of Receipts (Under) Disbursements</i>	(53,662)	(53,070)	(32,339)	20,731
Other Financing Sources (Uses)				
Transfers In	50	50		(50)
Transfers Out		(920)	(903)	17
<i>Total Other Financing Sources (Uses)</i>	50	(870)	(903)	(33)
<i>Net Change in Fund Balance</i>	(53,612)	(53,940)	(33,242)	20,698
<i>Fund Balance Beginning of Year</i>	53,612	53,612	53,612	0
<i>Fund Balance End of Year</i>	\$0	(\$328)	\$20,370	\$20,698

See accompanying notes to the basic financial statements

**JACKSON TOWNSHIP
COSHOCTON COUNTY**

*Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$69,344	\$69,344	\$73,230	\$3,886
Earnings on Investments	1,000	1,000	371	(629)
Miscellaneous	5	5	12	7
<i>Total Receipts</i>	<u>70,349</u>	<u>70,349</u>	<u>73,613</u>	<u>3,264</u>
Disbursements				
Current:				
Public Works	87,721	87,721	82,586	5,135
Debt Service:				
Principal	8,619	8,619	8,619	0
Interest	1,293	1,293	1,287	6
<i>Total Disbursements</i>	<u>97,633</u>	<u>97,633</u>	<u>92,492</u>	<u>5,141</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(27,284)</u>	<u>(27,284)</u>	<u>(18,879)</u>	<u>8,405</u>
Other Financing Sources				
Transfers In			900	900
<i>Net Change in Fund Balance</i>	<u>(27,284)</u>	<u>(27,284)</u>	<u>(17,979)</u>	<u>9,305</u>
<i>Fund Balance Beginning of Year</i>	<u>27,284</u>	<u>27,284</u>	<u>27,284</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$9,305</u>	<u>\$9,305</u>

See accompanying notes to the basic financial statements

**JACKSON TOWNSHIP
COSHOCTON COUNTY**

*Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual -Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$19,470	\$19,470	\$19,369	(\$101)
Intergovernmental	1,600	1,600	5,609	4,009
Miscellaneous	57	57	37	(20)
<i>Total Receipts</i>	<u>21,127</u>	<u>21,127</u>	<u>25,015</u>	<u>3,888</u>
Disbursements				
Current:				
Public Works	40,965	40,965	39,463	1,502
<i>Excess of Receipts (Under) Disbursements</i>	(19,838)	(19,838)	(14,448)	5,390
<i>Fund Balance Beginning of Year</i>	<u>19,838</u>	<u>19,838</u>	<u>19,838</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>5,390</u>	<u>5,390</u>

See accompanying notes to the basic financial statements

**JACKSON TOWNSHIP
COSHOCTON COUNTY**

*Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual -Budget Basis
Fire District Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$62,400	\$62,400	\$62,292	(\$108)
Intergovernmental	5,100	5,100	7,735	2,635
Miscellaneous	100	100	710	610
<i>Total Receipts</i>	<u>67,600</u>	<u>67,600</u>	<u>70,737</u>	<u>3,137</u>
Disbursements				
Current:				
Public Safety	106,641	60,641	54,468	6,173
Capital Outlay			4,676	(4,676)
Debt Service:				
Principal			7,848	(7,848)
Interest			2,899	(2,899)
<i>Total Disbursements</i>	<u>106,641</u>	<u>60,641</u>	<u>69,891</u>	<u>(9,250)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(39,041)</u>	<u>6,959</u>	<u>846</u>	<u>(6,113)</u>
Other Financing Sources (Uses)				
Other Financing Sources	100	100	829	729
<i>Net Change in Fund Balance</i>	<u>(38,941)</u>	<u>7,059</u>	<u>1,675</u>	<u>(5,384)</u>
<i>Fund Balance Beginning of Year</i>	<u>38,941</u>	<u>38,941</u>	<u>38,941</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$46,000</u>	<u>\$40,616</u>	<u>(\$5,384)</u>

See accompanying notes to the basic financial statements

Jackson Township
Coshocton County

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity

Jackson Township, Coshocton County, Ohio, (the Township) is a body politic and corporate 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 also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, fire protection services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Coshocton County Sheriff's Department to provide police protection.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Jackson Township has no component units.

C. Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Township does not report assets for equity interests in joint ventures.

Jackson Township
Coshocton County

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity (continued)

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:
Ohio Township Association Risk Management Authority (OTARMA)

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2 C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. All activities of the Township are governmental activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township does not report any business-type activities.

The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Jackson Township
Coshocton County

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. All of the Township's funds are categorized as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and the Fire District Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund and the Road and Bridge Fund are used to account for tax money for constructing, maintaining and repairing Township roads. The Fire District Fund is used to account for tax money for providing fire protection.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

Jackson Township
Coshocton County

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$1,059.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

H. Capital Assets

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

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for constructing, maintaining, and repairing Township roads. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

The transition from the regulatory basis of accounting to the cash basis of accounting did not generate any changes to fund balance/equity amounts previously reported at December 31, 2004.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

There were no encumbrances outstanding at year end (budgetary basis) in the general fund or any major special revenue fund.

Note 5 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
2. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
3. The State Treasurer's investment pool (STAR Ohio).

Jackson Township
Coshocton County

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 5 - Deposits and Investments (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$4,683 of the Township's bank balance of \$104,683 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities specifically pledged by the financial institution to the Township.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2005, the Township had no investments.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Jackson Township
Coshocton County

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 6 – Property Taxes (continued)

The full tax rate for all Township operations for the year ended December 31, 2005, was \$5.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property and Public Utility	\$30,513,280
Tangible Personal Property	413,620
Total Assessed Value	<u>\$30,926,900</u>

Note 7 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

Legal Liability	\$2,000,000	Per Occurrence
Automobile Liability	2,000,000	Per Occurrence
Wrongful Acts	2,000,000	Per Occurrence
Property	888,700	Total Coverage

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Jackson Township
Coshocton County

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 7 – Risk Management (continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$13,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Note 7 – Risk Management (continued)

Based on discussions with OTARMA the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Township Contributions to OTARMA

2004	\$5,394
2005	\$6,211

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

Jackson Township
Coshocton County

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 8 - Defined Benefit Pension Plans (continued)

The Township's required contributions for the years ended December 31, 2005, 2004, and 2003 were \$4,274, \$4,156 and \$3,408, respectively; the full amount has been contributed for 2005, 2004 and 2003.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 376,109. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$1,790. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Jackson Township
Coshocton County

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 10 – Interfund Transfers

During 2005 the following transfers were made:

Transfers from the General Fund to:	
Major Gasoline Tax Fund	\$900

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 11 – Debt

The Township’s long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
Ohio Heritage – Dump Truck	3.75%	\$34,476	\$0	\$8,619	\$25,857	\$8,619
Ohio Heritage – Firehouse	3.85%	<u>205,636</u>	<u>0</u>	<u>22,849</u>	<u>182,787</u>	<u>22,849</u>
		<u>\$240,112</u>	<u>\$0</u>	<u>\$31,468</u>	<u>\$208,644</u>	<u>\$31,468</u>

The Township entered into a loan agreement during December 2003 for the purchase of a 2004 Ford F-350 dump truck. This loan agreement was made with Ohio Heritage Bank in the amount of \$43,095 at an interest rate of 3.75% for a term of five years.

The Township entered into a loan agreement during December 2003 for the construction of a new firehouse. This loan agreement was made with Ohio Heritage Bank in the amount of \$228,484 at an interest rate of 3.85% for a term of ten years.

The following is a summary of the Township’s future annual debt service requirements:

Year	Dump Truck		Firehouse	
	Principal	Interest	Principal	Interest
2006	\$8,619	\$970	\$22,849	\$7,037
2007	8,619	646	22,848	6,158
2008	8,619	323	22,848	5,278
2009			22,848	4,398
2010			22,848	3,519
2011–2013			68,546	5,278
Totals	<u>\$25,857</u>	<u>\$1,939</u>	<u>\$182,787</u>	<u>\$31,668</u>

Note 12 – Related Party Transaction

One of the Township’s Trustees also served as Fire Chief for the Township’s volunteer fire department. During 2005, this Trustee entered into a motion to purchase a fire truck in the amount of \$40,000. This Trustee purchased the fire truck for the Township and scheduled payments to be made to him by the Township to prepay him for the purchase as funds were available. During 2005, the Township did not make any payments to the Trustee. Therefore, as of December 31, 2005, the Township owed this Trustee \$40,000. This obligation has not been included in Note 11 to the financial statements as there is no formal debt agreement between the Township and the Trustee.

Jackson Township
Coshocton County

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 13 – Compliance

Contrary to Ohio Revised Code Section 5705.40, several amendments to appropriations were made without the approval of the Board of Trustees. As a result, object level expenditures exceeded appropriations within the Fire District Fund contrary to Ohio Revised Code Section 5705.41(B).

Contrary to Ohio Revised Code Section 102.03(D), one of the Township Trustees also served as Fire Chief for the Township's volunteer fire department, and regularly participated as Trustee in matters involving the fire department.

Contrary to Ohio Revised Code Section 505.376, the Township purchased a fire truck totaling \$40,000 without advertising, bidding, or entering into a written contract.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Jackson Township
Coshocton County
43819 County Road 58
Coshocton, Ohio 43812-9544

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Township, Coshocton County, Ohio, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 21, 2007, wherein we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles and revised its financial presentation comparable to GASB 34 during 2005. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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 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 a basis for designing our audit procedures for expressing our opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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.

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We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2005-001 through 2005-004.

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 and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2005-001 through 2005-004 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated September 21, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Township's 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-004 through 2005-006.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated September 21, 2007.

The Township's responses to some of the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

September 21, 2007

**JACKSON TOWNSHIP
COSHOCTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

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

FINDING NUMBER 2005-001

Material Weakness

Board of Trustees Financial Statement Review

The Board of Trustees does not receive monthly budget versus actual reports and year-to-date financial information from the Fiscal Officer for subsequent review and approval as evidenced in the minute records. This prevented the Fiscal Officer and the Board of Trustees from properly evaluating, on an on-going basis, the status of estimated versus actual receipt and expenditure activity. In addition, there is no evidence the Board of Trustees reviews and approves the monthly bank reconciliations performed by the Fiscal Officer. As a result, errors or irregularities may occur with the completeness and accuracy of the financial statements and may not be detected timely.

Sound financial reporting is the responsibility of the Fiscal Officer and governing Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Fiscal Officer should submit monthly budget versus actual reports, year-to-date financial information and monthly bank reconciliations to the Board of Trustees for subsequent review and approval as evidenced within the minute records. This will help ensure the Fiscal Officer and the Board of Trustees effectively monitor and assess, on an on-going basis, results of estimated versus actual receipt and expenditure activity, as well as the completeness and accuracy of the monthly bank reconciliations and financial statements.

Officials' Response: We did not receive a response from the officials' to this finding.

FINDING NUMBER 2005-002

Material Weakness

Monitoring Budgetary Amounts

The Township's Estimated Receipts and Appropriations in the financial reports did not reconcile to the estimated receipts and appropriations as approved by the Board of Trustees and County Budget Commission by amounts ranging from \$20 to \$20,585. Consequently, the Board of Trustees and the Township Fiscal Officer were unable to accurately monitor the Township's budget status; thus preventing the Township from properly evaluating, on an on-going basis, the status of anticipated Township financial resources and expenditures.

Sound financial reporting is the responsibility of the Fiscal Officer and governing Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

FINDING NUMBER 2005-002 (Continued)

The Township's Comparison of Budgeted and Actual Receipts and Comparison of Disbursements and Encumbrances reports should reflect estimated receipts and appropriations approved by the Board of Trustees and the County Budget Commission. The Township Fiscal Officer should periodically reconcile the Comparison of Budgeted and Actual Receipts and Comparison of Disbursements and Encumbrances reports to ensure budgeted amounts are posted accurately and timely. This will help ensure the Board of Trustees and the Township Fiscal Officer have the information to effectively monitor and assess, on an on-going basis, results of estimated versus actual receipts and appropriations versus expenditures.

Officials' Response: We did not receive a response from the officials' to this finding.

FINDING NUMBER 2005-003

Material Weakness

Classification of Receipts and Expenditures

Certain Township receipts and expenditures were misclassified as follows:

- Certain motor vehicle license tax receipts were classified as Taxes rather than Intergovernmental receipts.
- Certain fire grant receipts were classified as Miscellaneous rather than Intergovernmental receipts.
- Certain public utility reimbursements were classified as Miscellaneous rather than Intergovernmental receipts.
- Certain lodging and excise tax receipts were classified as Miscellaneous rather than Intergovernmental receipts.

As a result, the above receipt and expenditure line items were initially overstated/understated.

The Township Fiscal Officer and the Board of Trustees should periodically monitor the classification of all receipts and expenditures to help ensure Township receipts and disbursements are accurately recorded.

Officials' Response: We did not receive a response from the officials' to this finding.

FINDING NUMBER 2005-004

Material Weakness/Noncompliance Citation

Ohio Rev. Code Section 5705.40 provides that any appropriation measure may be amended or supplemented provided that such amendment or supplement complies with all provisions of law governing the tax authority in making the original appropriation. Transfers may be made by resolution or ordinance from one appropriation item to another. *Burkholder v. Lauber* (1965), 6 Ohio Misc. 152, indicates that a local government's governing board is prohibited from delegating those discretionary duties statutorily assigned to it. Following such reasoning, a governing board is prohibited from delegating the ability to amend appropriations as provided for in Ohio Rev. Code Section 5705.40.

FINDING NUMBER 2005-004 (Continued)

The Board made motions at the beginning of each year to permit the Fiscal Officer to move funds within appropriations when necessary. Based on this motion, the Fiscal Officer made several appropriation amendments at the object level without the approval of the Board of Trustees. Consequently, budgeted amounts in the financial statements include audit adjustments for appropriation amendments not properly approved. As a result, object level expenditures exceeded appropriations within the Fire District Fund contrary to Ohio Revised Code Section 5705.41(B). The Board of Trustees should approve all amendments to appropriations at the legal level of control.

Officials' Response: We did not receive a response from the officials' to this finding.

FINDING NUMBER 2005-005

Noncompliance Citation

Ohio Rev. Code Section 102.03(D) states no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

One of the Township Trustees also served as Fire Chief for the Township's volunteer fire department. Based on documentation within the minutes of the Board of Trustees, this trustee regularly participated in matters affecting the fire department. For example, in 2005, the Fire Chief, as a Trustee, entered a motion approving his purchase of a fire truck for \$40,000, for use by the Township Fire Department, made with a personal check which was to be reimbursed by the Township. Certain payments made by the Township as repayment were endorsed by a business owned by this trustee. The potential tax benefits to this trustee personally or with respect to his business are unknown at this time. The Township utilized a similar procedure to purchase another fire truck in 2006.

This matter has been referred to the Ohio Ethics Commission and the Internal Revenue Service for whatever action is deemed necessary.

Officials' Response: The Township consulted with our legal counsel prior to entering into this transaction. Our legal counsel approved this transaction because of the monetary savings to the Township. The loan in question involved 0% interest. Our legal counsel has since advised us to avoid such transactions in the future, and to record the present transaction with a written note.

FINDING NUMBER 2005-006

Noncompliance Citation

Ohio Rev. Code Section 505.376 requires that when any expenditure of a fire and ambulance district, other than for the compensation of employees, exceeds twenty-five thousand dollars, the contract for the expenditure shall be in writing and made with the lowest and best bidder after advertising for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the district. This section of code also designates bid requirements and openings. In addition, the contract shall be between the district and the bidder, and the district shall pay the contract price.

During 2005, the Township purchased a fire truck totaling \$40,000 from a political subdivision outside of Ohio without advertising, bidding, or entering into a written contract. The Township should ensure that all expenditures exceeding twenty-five thousand dollars are made by contract in writing made with the lowest and best bidder after advertising in accordance with the Ohio Revised Code.

FINDING NUMBER 2005-006 (Continued)

Officials' Response: The Township consulted with our legal counsel prior to entering into this transaction. Our legal counsel approved this transaction because of the monetary savings to the Township. Although the financial benefit to the Township was substantial, our legal counsel has since advised us that the definition of "the state" as noted in the Revised Code only includes those political subdivisions of the State of Ohio.



Mary Taylor, CPA
Auditor of State

JACKSON TOWNSHIP

COSHOCTON 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 6, 2007**