



Mary Taylor, CPA  
Auditor of State



JACKSON TOWNSHIP  
MUSKINGUM COUNTY

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Mary Taylor, CPA  
Auditor of State

Jackson Township  
Muskingum County  
P.O. Box 70  
Frazeyburg, Ohio 43822

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

November 5, 2010

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Jackson Township  
Muskingum County  
P.O. Box 70  
Fazeysburg, Ohio 43822

To the Board of 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, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Jackson Township, Muskingum County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

November 5, 2010



**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, 2009**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$22,044	\$128,100	\$4,819	\$0	\$154,963
Licenses, Permits, and Fees		8,450			8,450
Intergovernmental	30,986	127,459			158,445
Special Assessments			4,355		4,355
Earnings on Investments	113	148			261
Miscellaneous	595	1,500			2,095
	<u>53,738</u>	<u>265,657</u>	<u>9,174</u>	<u>0</u>	<u>328,569</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	36,294				36,294
Public Safety		84,862			84,862
Public Works		118,423			118,423
Health		35,163			35,163
Capital Outlay		79,888			79,888
Debt Service:					
Redemption of Principal			13,990		13,990
Interest and Other Fiscal Charges			6,112		6,112
	<u>36,294</u>	<u>318,336</u>	<u>20,102</u>	<u>0</u>	<u>374,732</u>
Total Cash Disbursements	<u>36,294</u>	<u>318,336</u>	<u>20,102</u>	<u>0</u>	<u>374,732</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>17,444</u>	<u>(52,679)</u>	<u>(10,928)</u>	<u>0</u>	<u>(46,163)</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Sale of Notes		78,388			78,388
Transfers-In			9,127	9,127	18,254
Transfers-Out	(9,127)			(9,127)	(18,254)
Advances-In	1,129	1,526	2,916		5,571
Advances-Out	(1,378)	(1,538)	(2,655)		(5,571)
Other Financing Uses	253				253
	<u>(9,123)</u>	<u>78,376</u>	<u>9,388</u>	<u>0</u>	<u>78,641</u>
Total Other Financing Receipts / (Disbursements)	<u>(9,123)</u>	<u>78,376</u>	<u>9,388</u>	<u>0</u>	<u>78,641</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	8,321	25,697	(1,540)	0	32,478
Fund Cash Balances, January 1	13,670	96,518	1,540	0	111,728
<b>Fund Cash Balances, December 31</b>	<b><u>\$21,991</u></b>	<b><u>\$122,215</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$144,206</u></b>

*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, 2008**

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$23,245	\$131,899	\$9,773	\$0	\$164,917
Licenses, Permits, and Fees		6,450			6,450
Intergovernmental	22,449	126,078			148,527
Special Assessments			1,670		1,670
Earnings on Investments	1,359	993			2,352
Miscellaneous	238	8,308			8,546
<b>Total Cash Receipts</b>	<b>47,291</b>	<b>273,728</b>	<b>11,443</b>	<b>0</b>	<b>332,462</b>
<b>Cash Disbursements:</b>					
Current:					
General Government	45,040				45,040
Public Safety		71,794			71,794
Public Works		112,368			112,368
Health		44,162			44,162
Human Services	104				104
Capital Outlay		23,178			23,178
Debt Service:					
Redemption of Principal			10,348	3,641	13,989
Interest and Other Fiscal Charges			1,122	5,687	6,809
<b>Total Cash Disbursements</b>	<b>45,144</b>	<b>251,502</b>	<b>11,470</b>	<b>9,328</b>	<b>317,444</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>2,147</b>	<b>22,226</b>	<b>(27)</b>	<b>(9,328)</b>	<b>15,018</b>
<b>Other Financing Receipts / (Disbursements):</b>					
Transfers-In		2,793		6,535	9,328
Transfers-Out	(9,328)				(9,328)
Advances-In	7,100	5,400	1,567	2,793	16,860
Advances-Out	(5,440)	(11,420)			(16,860)
Other Financing Uses	486				486
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>(7,182)</b>	<b>(3,227)</b>	<b>1,567</b>	<b>9,328</b>	<b>486</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(5,035)</b>	<b>18,999</b>	<b>1,540</b>	<b>0</b>	<b>15,504</b>
<b>Fund Cash Balances, January 1</b>	<b>15,912</b>	<b>80,312</b>	<b>0</b>	<b>0</b>	<b>96,224</b>
<b>Fund Cash Balances, December 31</b>	<b>\$10,877</b>	<b>\$99,311</b>	<b>\$1,540</b>	<b>\$0</b>	<b>\$111,728</b>

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

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Jackson Township, Muskingum County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with the Frazeyburg Volunteer Fire Department to provide fire services.

The Township participates in the Ohio Government Risk Management Plan (the "Plan"), a public entity risk-sharing pool. Note 7 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investment**

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

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

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining, and repairing Township roads.

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Cemetery Fund – This fund receives property tax money and fees for maintaining the Township’s cemetery.

**3. Debt Service Funds**

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Funds:

Grader-Note Retirement Fund – This fund receives property tax money for repayment of debt related to the purchase of a road grader.

General Bond (Note) Retirement Fund – This fund receives transfers and special assessments for repayment of debt.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Jackson Township Ball Field Fund – This fund receives transfers from the General Fund for expenses of the ball field.

**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 object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end. Advances are not budgeted.

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process**

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources. Advances are not budgeted.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**2. Equity in Pooled Deposits and Investments**

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$66,983	\$36,382
STAROhio	77,223	75,346
Total deposits and investments	<u>\$144,206</u>	<u>\$111,728</u>

**Deposits:** Demand deposits are insured by the Federal Deposit Insurance Corporation.

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,962	\$53,991	\$10,029
Special Revenue	262,083	344,045	81,962
Debt Service	19,035	18,301	(734)
Capital Projects	0	9,127	9,127
Total	\$325,080	\$425,464	\$100,384

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$50,114	\$45,421	\$4,693
Special Revenue	319,400	318,336	1,064
Debt Service	10,974	20,102	(9,128)
Capital Projects	9,128	9,127	1
Total	\$389,616	\$392,986	(\$3,370)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,749	\$47,777	(\$1,972)
Special Revenue	269,451	276,521	7,070
Debt Service	21,112	11,443	(9,669)
Capital Projects	0	6,535	6,535
Total	\$340,312	\$342,276	\$1,964

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$56,662	\$54,472	\$2,190
Special Revenue	287,821	251,502	36,319
Debt Service	11,471	11,470	1
Capital Projects	9,327	9,328	(1)
Total	\$365,281	\$326,772	\$38,509

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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, 2009, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$98,303	5.48%
General Obligation Notes	78,388	4.25%
Special Assessment Bonds	<u>2,793</u>	5.50%
Total	<u><u>\$179,484</u></u>	

The Township issued general obligation bonds in February 2006 to finance the land acquisition for ball fields. The bonds are collateralized solely by the Township's taxing authority.

The general obligation notes were issued in December 2009 to purchase road equipment to be used for Township road maintenance. The notes are collateralized solely by the Township's taxing authority.

The special assessment bonds were issued in September 2002 to finance road improvements to Hi-Lo Drive. Repayment of the debt will be made from assessments collected from residents.

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**5. Debt (Continued)**

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

Year ending December 31:	General Obligation Bonds	General Obligation Notes	Special Assessment Notes
2010	8,927	\$17,601	\$2,923
2011	8,729	17,601	
2012	8,529	17,601	
2013	8,330	17,601	
2014	8,130	17,601	
2015-2020	44,590		
2021-2025	31,672		
2026-2030	26,685		
2031-2035	21,695		
2036	3,741		
Total	\$171,028	\$88,005	\$2,923

**6. Retirement Systems**

The Township's employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contribution required through December 31, 2009.

**7. Risk Management**

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

The Township is insured with Ohio Government Risk Management Plan (the "Plan"). The Plan assumed the risk of loss up to the limits of the Township's policies. Coverage is subject to deductibles and scheduled property. The risk pool membership is further disclosed in Note 8 to the financial statements. The following risks are covered by the Plan:

- Comprehensive property and general liability;
- Employer's liability;
- Employee benefits liability;
- Public officials liability;
- Automobile liability, medical payments, uninsured motorists, and physical damage;
- Inland marine; and
- Crime including theft, disappearance and destruction, public employee dishonesty, forgery or alteration, computer fraud, and fund transfer fraud.



**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**7. Risk Management (Continued)**

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

The Township also offers health insurance coverage to its full time employee through a private carrier.

**8. Risk Pool Membership**

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Township participates in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Township does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2008 and 2007 (the latest information available):

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**8. Risk Pool Membership (Continued)**

	<b>2008</b>	<b>2007</b>
Assets	\$10,471,114	\$11,136,455
Liabilities	(5,286,781)	(4,273,553)
Members' Equity	\$5,184,333	\$6,862,902

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).



# 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  
Muskingum County  
P.O. Box 70  
Frazeyburg, Ohio 43822

To the Township Board of Trustees:

We have audited the financial statements of the Jackson Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated November 5, 2010, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2009-001 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **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 we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2009-001 and 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 5, 2010.

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

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

**Mary Taylor, CPA**  
Auditor of State

November 5, 2010

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

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

**FINDING NUMBER 2009-001**

**Noncompliance Citation and Significant Deficiency**

Ohio Rev. Code Section 5705.10(H) provides that money paid into any fund shall be used only for the purposes for which such fund is established. Although inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year.

Auditor of State Bulletin 97-003 outlines that inter-fund cash advances are subject to the following requirements:

1. Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Revised Code. Advances on the other hand, are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment;
2. In order to advance cash from one fund to another, there must be statutory authority to use the money advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
3. The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
4. Advances must be approved by a formal resolution of the taxing authority of the subdivision. The resolution must include: (1) A specific statement that the transaction is an advance of cash, and (2) an indication of the money (fund) from which it is expected that repayment will be made.

The Township advanced \$240 from the General Fund on April 2008 to the 2011-Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$200 and the 3105-Bond Retirement Fund, in the amount of \$40. These advances were not approved by formal resolution by the Board of Trustees.

Also, in 2008, the Township advanced \$4,320 from the Cemetery Fund, Special Revenue Fund type, to the Jackson Township Ball Field, Capital Project Fund type, in the amount of \$2,793 and to the General Bond (Note) Retirement Fund, Debt Service Fund type, in the amount of \$1,527. The amount advanced to the General Bond (Note) Retirement Fund was paid back to the Cemetery Fund in 2009, but as of the date of this report, the amount advanced to the Jackson Township Ball Field Fund has not been repaid. Neither one of these advances met the requirement to be a legal advance.

The Jackson Township Ball Field, Capital Project Fund type, repaid the amount of \$2,793 to the Cemetery Fund, Special Revenue Fund type, by a fund balance adjustment on November 4, 2010. This \$2,793 adjustment is reflected on the 2008 financial statements as a General Fund transfer-out and a Special Revenue Fund transfer-in.

**JACKSON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2009-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.09(C) requires each subdivision to establish a bond retirement fund into which it must pay sufficient revenues to retire serial bonds, notes and certificates of indebtedness at maturity.

The Township has a General Bond (Note) Retirement Fund to pay debt payments. In 2009 and 2008, the Township paid General Obligation Bond debt from the Jackson Ball Field Fund, Capital Project Fund type, instead of paying this debt from the General Bond (Note) Retirement Fund. The debt instrument drafted by bond counsel, under Section 5 requires the use of a debt service fund.

We recommend the Township pay all future revenues to retire the land acquisition bonds into a debt service bond retirement fund and also pay the corresponding principal and interest obligations that come due from this debt service bond retirement fund.

**Officials' Response**

For Finding 2009-001, the client made a fund balance adjustment to correct the improper advance. For Finding 2009-002, the client indicated the Township will eliminate the Jackson Ball Field Fund, Capital Project Fund type, and pay future debt through the Debt Service Fund type.

JACKSON TOWNSHIP  
MUSKINGUM COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Ohio Rev. Code Section 5705.09(C)	No	Repeated as Finding 2009-002

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**Mary Taylor, CPA**  
Auditor of State

**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  
DECEMBER 16, 2010**