



**Auditor of State
Betty Montgomery**

JACKSON TOWNSHIP
VAN WERT COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Jackson Township
Van Wert County
3884 Middle Point – Wetzel Road
Middle Point, Ohio 45863

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Van Wert County (the Township), as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2003 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jackson Township
Van Wert County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 8, 2003

**JACKSON TOWNSHIP
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$10,142	\$24,273		\$34,415
Intergovernmental	33,929	74,663	38,181	146,773
Licenses, Permits, and Fees	180			180
Earnings on Investments	351	615		966
	<u>44,602</u>	<u>99,551</u>	<u>38,181</u>	<u>182,334</u>
Total Cash Receipts				
	<u>44,602</u>	<u>99,551</u>	<u>38,181</u>	<u>182,334</u>
Cash Disbursements:				
Current:				
General Government	44,036			44,036
Public Safety		47,297		47,297
Public Works	2,789	63,390		66,179
Health	5,313			5,313
Capital Outlay			38,181	38,181
	<u>52,138</u>	<u>110,687</u>	<u>38,181</u>	<u>201,006</u>
Total Cash Disbursements				
	<u>52,138</u>	<u>110,687</u>	<u>38,181</u>	<u>201,006</u>
Total Receipts (Under) Disbursements	<u>(7,536)</u>	<u>(11,136)</u>		<u>(18,672)</u>
Other Financing Receipts:				
Proceeds from Sale of Public Debt:				
Loan Proceeds		25,000		25,000
Other Sources	34			34
	<u>34</u>	<u>25,000</u>		<u>25,034</u>
Total Other Financing Receipts				
	<u>34</u>	<u>25,000</u>		<u>25,034</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(7,502)</u>	<u>13,864</u>		<u>6,362</u>
Fund Cash Balances, January 1	<u>27,787</u>	<u>60,899</u>	<u>0</u>	<u>88,686</u>
Fund Cash Balances, December 31	<u><u>\$20,285</u></u>	<u><u>\$74,763</u></u>	<u><u>\$0</u></u>	<u><u>\$95,048</u></u>

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

**JACKSON TOWNSHIP
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$10,222	\$20,399	\$30,621
Intergovernmental	57,754	69,159	126,913
Licenses, Permits, and Fees	333		333
Earnings on Investments	430	561	991
Other Revenue	2,812		2,812
	<u>71,551</u>	<u>90,119</u>	<u>161,670</u>
Total Cash Receipts			
	<u>71,551</u>	<u>90,119</u>	<u>161,670</u>
Cash Disbursements:			
Current:			
General Government	31,374		31,374
Public Safety		10,537	10,537
Public Works	190	59,412	59,602
Health	4,602		4,602
Capital Outlay		29,731	29,731
Debt Service:			
Redemption of Principal	36,193	15,730	51,923
Interest Charges	1,795	1,270	3,065
	<u>74,154</u>	<u>116,680</u>	<u>190,834</u>
Total Cash Disbursements			
	<u>74,154</u>	<u>116,680</u>	<u>190,834</u>
Total Receipts (Under) Disbursements	(2,603)	(26,561)	(29,164)
Other Financing Receipts:			
Sale of Fixed Assets		5,000	5,000
		<u>5,000</u>	<u>5,000</u>
Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(2,603)	(21,561)	(24,164)
Fund Cash Balances, January 1	<u>30,390</u>	<u>82,460</u>	<u>112,850</u>
Fund Cash Balances, December 31	<u>\$27,787</u>	<u>\$60,899</u>	<u>\$88,686</u>

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

**JACKSON TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Jackson Township, Van Wert County, (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Grover Hill, the Village of Middle Point, and the Village of Ottoville to provide fire services and the Village of Grover Hill to provide ambulance services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Township does not hold any interest in investments.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

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

**JACKSON TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Motor Vehicle License Tax Fund – This fund receives motor vehicle license tax money to pay for constructing, maintaining and repairing Township roads.

Fire District Fund – This fund receives tax levy monies to provide fire protection and EMS services for the Township.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Issue II Fund - The Township received a grant from the State of Ohio for Township road repairs.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**JACKSON TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$95,048	\$88,686

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,887	\$44,636	(\$3,251)
Special Revenue	112,040	124,551	12,511
Capital Projects	38,917	38,181	(736)
Total	\$198,844	\$207,368	\$8,524

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$75,642	\$52,138	\$23,504
Special Revenue	172,057	110,687	61,370
Capital Projects	38,917	38,181	736
Total	\$286,616	\$201,006	\$85,610

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$69,508	\$71,551	\$2,043
Special Revenue	83,152	95,119	11,967
Total	\$152,660	\$166,670	\$14,010

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$99,999	\$74,154	\$25,845
Special Revenue	165,612	116,680	48,932
Total	\$265,611	\$190,834	\$74,777

**JACKSON TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Commercial Loan	\$25,000	3.36%

The commercial loan relates to the township's share of a new fire truck purchased by the Village of Ottoville Fire Department. The loan will be repaid in annual installments of \$5,000 plus interest over 5 years. The note was uncollateralized.

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

	<u>Commercial Loan</u>
Year ending December 31:	
2003	\$5,840
2004	5,672
2005	5,504
2006	5,336
2007	<u>5,155</u>
Total	<u><u>\$27,507</u></u>

**JACKSON TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RETIREMENT SYSTEMS

The Township's elected officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Risk Pool Membership

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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

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

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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 government.

**JACKSON TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT (Continued)

Financial Position

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

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>



**Auditor of State
Betty Montgomery**

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

Jackson Township
Van Wert County
3884 Middle Point – Wetzel Road
Middle Point, Ohio 45863

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Van Wert County (the Township), as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated May 8, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 and 2002-002. We also noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated May 8, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 8, 2003.

Jackson Township
Van Wert County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

May 8, 2003

**JACKSON TOWNSHIP
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

FINDING FOR RECOVERY

Jackson Township adopted the following group health insurance premium reimbursement plan on December 29, 1999:

Section 2: The Township shall offer all Township Trustees, the Clerk and employees reimbursement for only those health care benefits listed in Ohio Rev. Code 505.60.

Section 3: The amount the township will reimburse all of its trustees, clerk and full time employees who participate in this reimbursement plan shall be the actual out of pocket premium costs, not to exceed \$4,000 per individual, per year.

The Township passed an additional resolution on December 29, 2001 to raise the cap on the reimbursement to \$5,000 per individual per year.

Ohio Const. Art. II, Section 20, prohibits public officials from receiving increases in compensation in the middle of a term of office. An increase or elimination of the premium cap for insurance is considered an increase in compensation.

Steve Duvall, Trustee, whose term of office is 1/1/00 to 12/31/03, is subject to the \$4,000 premium cap set by the Township on December 29, 1999 prior to the commencement of his term of office. During 2002, the Township paid \$5,000 to reimburse health care premiums, which exceeded the cap by \$1,000.

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against Steve Duval, Trustee and his bonding company Ohio Township Association Risk Management Authority, jointly and severally, in the amount of \$1,000 in favor of the General Fund.

FINDING NUMBER 2002-002

FINDING FOR ADJUSTMENT

Ohio Rev. Code Section 5705.10 requires all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made. The Fire Levy Fund was established to account for the Fire Protection for the Township per the tax levy. Ohio Rev. Code Section 5705.06 (F) permits a township to levy within the ten-mill limitation for construction, reconstruction, resurfacing, and repair of roads, excluding state roads and bridges on such roads including the township's proportion of the cost of the construction and improvement, maintenance, and repair of county roads and bridges. The Road and Bridge Fund was established to account for the Township's share of monies levied under Ohio Rev. Code Sections 5705.06 (F) by the Township.

During 2001, the Township posted the Fire District receipts to the Road and Bridge Fund and the Road and Bridge receipts to the Fire Fund, which resulted in the Road and Bridge Fund being overstated by \$3,720.28 and the Fire Fund being understated by \$3,720.28 and requiring an adjustment between the two funds. The Township has agreed to and posted the adjustment and the adjustment is reflected in the accompanying financial statements.

The Township should monitor the receipt and expenditure of monies into various funds and refer to the Township chart of accounts when there is a question of appropriate fund or account coding.

**JACKSON TOWNSHIP
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEARS ENDED DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40281-001	Ohio Rev. Code Section 117.28 , a finding for recovery for public money illegally expended in the amount of \$483.11	Yes	The Trustees issued a service contract to Richard Dunlap in the amount of \$483.11 to help with training of new clerk. Richard Dunlap performed these services in payment of his finding.
2000-40281-002	Ohio Rev Code Section 505.601 reimbursement of out of pocket expenses for a hearing exam and hearing aids in the amount of \$2,295.	Yes	\$2,295 repaid on 4/3/01



**Auditor of State
Betty Montgomery**

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JACKSON TOWNSHIP

VAN WERT 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
JUNE 17, 2003**