



**Auditor of State
Betty Montgomery**

JACKSON TOWNSHIP
SANDUSKY COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Jackson Township
Sandusky County
4215 County Road 23
Burgoon, Ohio 43407-9706

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Sandusky County, (the Township) as of and for the years ended December 31, 2002 and 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 audits.

We conducted our audits 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 audits 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 audits provide 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 Jackson Township, Sandusky County, as of December 31, 2002 and 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 June 12, 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 audits.

Jackson Township
Sandusky 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

June 12, 2003

**JACKSON TOWNSHIP
SANDUSKY COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Fund</u>	
Cash Receipts:					
Local Taxes	\$20,168	\$94,274			\$114,442
Intergovernmental	37,397	74,787			112,184
Licenses, Permits, and Fees	1,850	755			2,605
Earnings on Investments	912	537			1,449
Other Revenue	1,099	12,047			13,146
Total Cash Receipts	<u>61,426</u>	<u>182,400</u>			<u>243,826</u>
Cash Disbursements:					
Current:					
General Government	36,360	37,038			73,398
Public Safety		27,151			27,151
Public Works	9,152	109,180			118,332
Health	953				953
Conservation - Recreation	5,496				5,496
Capital Outlay	7,912	46,963		2,753	57,628
Total Cash Disbursements	<u>59,873</u>	<u>220,332</u>		<u>2,753</u>	<u>282,958</u>
Total Receipts Over/(Under) Disbursements	<u>1,553</u>	<u>(37,932)</u>		<u>(2,753)</u>	<u>(39,132)</u>
Other Financing Receipts:					
Sale of Fixed Assets	3,850	32,500			36,350
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	5,403	(5,432)		(2,753)	(2,782)
Fund Cash Balances, January 1	<u>28,554</u>	<u>37,725</u>	<u>821</u>	<u>2,753</u>	<u>69,853</u>
Fund Cash Balances, December 31	<u><u>\$33,957</u></u>	<u><u>\$32,293</u></u>	<u><u>\$821</u></u>		<u><u>\$67,071</u></u>

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

**JACKSON TOWNSHIP
SANDUSKY COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Fund</u>	
Cash Receipts:					
Local Taxes	\$20,261	\$71,408			\$91,669
Intergovernmental	47,131	73,504	\$23,353		143,988
Licenses, Permits, and Fees	2,750	395			3,145
Earnings on Investments	1,699	1,244		\$122	3,065
Other Revenue	4,175	4,484			8,659
Total Cash Receipts	<u>76,016</u>	<u>151,035</u>	<u>23,353</u>	<u>122</u>	<u>250,526</u>
Cash Disbursements:					
Current:					
General Government	42,306	28,516			70,822
Public Works	11,097	110,879			121,976
Health	4,739				4,739
Capital Outlay	6,866	550	22,752		30,168
Total Cash Disbursements	<u>65,008</u>	<u>139,945</u>	<u>22,752</u>		<u>227,705</u>
Total Receipts Over Disbursements	<u>11,008</u>	<u>11,090</u>	<u>601</u>	<u>122</u>	<u>22,821</u>
Other Financing Receipts:					
Sale of Fixed Assets	3,851				3,851
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	14,859	11,090	601	122	26,672
Fund Cash Balances, January 1	<u>13,695</u>	<u>26,635</u>	<u>220</u>	<u>2,631</u>	<u>43,181</u>
Fund Cash Balances, December 31	<u>\$28,554</u>	<u>\$37,725</u>	<u>\$821</u>	<u>\$2,753</u>	<u>\$69,853</u>

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

**JACKSON TOWNSHIP
SANDUSKY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Jackson Township, Sandusky County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Village of Bettsville; Helena Community Volunteer Fire Department, Inc.; and Kansas Community Volunteer Fire Department, Inc. to provide fire services and Bettsville-Liberty Medical Services, Inc., 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. Fund Accounting

The Township uses fund accounting to segregate cash that is 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.

Fire Levy Fund - This fund receives property tax money to pay for fire services.

**JACKSON TOWNSHIP
SANDUSKY COUNTY**

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

3. Capital Project Fund

This fund is 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 to maintain and repair a Township road.

4. Fiduciary Fund (Trust Fund)

This fund is used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Cemetery Bequest Fund – This fund receives estate money for the care and upkeep of specific cemetery lots.

D. 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.

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.

E. 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
SANDUSKY COUNTY**

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

F. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	2002	2001
Demand deposits	\$67,071	\$69,853

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,324	\$65,276	(\$2,048)
Special Revenue	206,927	214,900	7,973
Total	\$274,251	\$280,176	\$5,925

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,532	\$59,873	\$26,659
Special Revenue	202,570	220,332	(17,762)
Capital Projects	820		820
Fiduciary	2,753	2,753	
Total	\$292,675	\$282,958	\$9,717

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$76,268	\$79,867	\$3,599
Special Revenue	137,901	151,035	13,134
Capital Projects	23,352	23,353	1
Fiduciary	122	122	
Total	\$237,643	\$254,377	\$16,734

**JACKSON TOWNSHIP
SANDUSKY COUNTY**

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

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,880	\$65,008	\$24,872
Special Revenue	158,845	139,945	18,900
Capital Projects	43,907	22,752	21,155
Fiduciary	213	213	213
Total	\$292,845	\$227,705	\$65,140

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority at the Township's object legal level of control in the General, Gas Tax, Road and Bridge, Fire Levy, and Cemetery Bequest funds for the years ended December 31, 2002 and 2001. Also contrary to Ohio law, during fiscal year 2001, the Township did not amend the appropriation authority when a reduced amended certificate of estimated resources was requested from the Budget Commission for the State Issue II fund. This resulted in appropriations exceeding estimated resources.

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 payments, 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. RETIREMENT SYSTEMS

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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, members of OPERS contributed 8.5 percent of their gross salaries. The Township contributed an amount equal to 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2002.

**JACKSON TOWNSHIP
SANDUSKY COUNTY**

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

6. 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.

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:

JACKSON TOWNSHIP
SANDUSKY COUNTY

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

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	9,379,003	8,924,977
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	647,667	497,831
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
Sandusky County
4215 County Road 23
Burgoon, Ohio 43407-9706

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Sandusky County, (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 12, 2003. We conducted our audits 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 audits 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 certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 12, 2003.

Internal Control over Financial Reporting

In planning and performing our audits, 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 12, 2003.

Jackson Township
Sandusky 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

June 12, 2003

**JACKSON TOWNSHIP
SANDUSKY 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

Noncompliance Citation

Ohio Revised Code § 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. The Board of Trustees established appropriations at the object level during fiscal years 2002 and 2001.

Fiscal Year 2002			
Legal level of control	Appropriation Authority	Budgetary Expenditures	Variance
General fund			
Land		\$5,496	(\$5,496)
Road and Bridge fund			
Machinery, equipment, and furniture	\$1,000	32,538	(31,538)
Fire Levy fund			
Improvement of sites		24,579	(24,579)

Fiscal Year 2001			
Legal level of control	Appropriation Authority	Budgetary Expenditures	Variance
Fire Levy fund			
Contracted services	\$22,694	\$27,900	(\$5,206)

Budgetary expenditures exceeded the appropriation authority for several other line items within the General, Gas Tax, Fire Levy, and Cemetery Bequest funds in relatively smaller amounts during fiscal years 2002 and 2001.

These situations could result in deficit balances to occur if spending is not limited to appropriations. Actual revenues were sufficient to allow the Township to obtain an increased amended certificate from the Budget Commission and make supplemental appropriations. We recommend, if sufficient resources exist, the Clerk request the Board of Trustees to amend appropriations prior to expenditures exceeding appropriations.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Revised Code § 5705.39 states total appropriations should not exceed total estimated revenue. During fiscal year 2001, the Township's total appropriations (\$43,907) exceeded estimated resources (\$23,572) in the State Issue II fund in the amount of \$20,335. We recommend the Township amend their appropriation measures on a timely basis so they do not exceed estimated resources.



**Auditor of State
Betty Montgomery**

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JACKSON TOWNSHIP

SANDUSKY 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
JULY 15, 2003**