



**Auditor of State  
Betty Montgomery**



JACKSON TOWNSHIP  
BROWN COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Jackson Township  
Brown County  
8592 Ash Ridge Winchester Road  
Winchester, Ohio 45697

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Brown County, Ohio (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 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 and reserves for encumbrances of the Township 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 August 13, 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.

This report is intended solely for the information and use of the management, the Board and other officials authorized to receive this report under Section 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

August 13, 2003

**JACKSON TOWNSHIP  
BROWN 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>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Local Taxes	\$31,512	\$0	\$31,512
Intergovernmental	31,710	64,622	96,332
Interest	239	741	980
Other Revenue	1,483	500	1,983
	<u>64,944</u>	<u>65,863</u>	<u>130,807</u>
Total Cash Receipts			
<b>Cash Disbursements:</b>			
Current:			
General Government	49,125		49,125
Public Safety	7,968		7,968
Public Works	10,758	72,155	82,913
Health	7,582	20	7,602
Capital Outlay		641	641
	<u>75,433</u>	<u>72,816</u>	<u>148,249</u>
Total Cash Disbursements			
Total Receipts Under Disbursements	<u>(10,489)</u>	<u>(6,953)</u>	<u>(17,442)</u>
Fund Cash Balances, January 1	<u>16,754</u>	<u>18,236</u>	<u>34,990</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$6,265</u></b>	<b><u>\$11,283</u></b>	<b><u>\$17,548</u></b>
Reserve for Encumbrances, December 31	<u>\$429</u>	<u>\$16,740</u>	<u>\$17,169</u>

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

**JACKSON TOWNSHIP  
BROWN 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>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Local Taxes	\$32,195	\$0	\$32,195
Intergovernmental	27,538	59,300	86,838
Interest	688	1,965	2,653
Other Revenue	1,008	926	1,934
	<u>61,429</u>	<u>62,191</u>	<u>123,620</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	53,179		53,179
Public Safety	7,967		7,967
Public Works	250	97,729	97,979
Health	8,317		8,317
Miscellaneous	6,974		6,974
Capital Outlay		12,446	12,446
	<u>76,687</u>	<u>110,175</u>	<u>186,862</u>
Total Receipts Under Disbursements	<u>(15,258)</u>	<u>(47,984)</u>	<u>(63,242)</u>
Fund Cash Balances, January 1	<u>32,012</u>	<u>66,220</u>	<u>98,232</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$16,754</u></b>	<b><u>\$18,236</u></b>	<b><u>\$34,990</u></b>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$34,440</u>	<u>\$34,440</u>

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

**JACKSON TOWNSHIP  
BROWN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Jackson Township, Brown County, Ohio (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 Villages of Russellville, Sardinia and Winchester to provide fire services and 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 Deposits**

Township funds are deposited in a checking account and certificate of deposit with local commercial banks. The Township pools its cash to capture the highest rate of return. Certificates of deposit are valued at cost.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash deposits 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 Fund:

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

**JACKSON TOWNSHIP  
BROWN COUNTY**

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

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

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.

**2. EQUITY IN POOLED CASH DEPOSITS**

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

	<u>2002</u>	<u>2001</u>
Demand deposits	\$17,548	\$7,738
Certificates of deposit		<u>27,252</u>
Total deposits	<u>\$17,548</u>	<u>\$34,990</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**JACKSON TOWNSHIP  
BROWN COUNTY**

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,806	\$64,944	\$1,138
Special Revenue	60,585	65,863	5,278
Total	\$124,391	\$130,807	\$6,416

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,500	\$75,862	\$4,638
Special Revenue	113,090	89,556	23,534
Total	\$193,590	\$165,418	\$28,172

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$54,174	\$61,429	\$7,255
Special Revenue	72,000	62,191	(9,809)
Total	\$126,174	\$123,620	(\$2,554)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$91,594	\$76,687	\$14,907
Special Revenue	136,400	144,615	(8,215)
Total	\$227,994	\$221,302	\$6,692

Contrary to Ohio Revised Code Section 5705.41(D), the Township did not obtain prior certification of the fiscal officer for all purchases, nor were all commitments properly encumbered. Also, contrary to Ohio Revised Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority in the Gasoline Tax Fund for the year ended December 31, 2001.

**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.

**JACKSON TOWNSHIP  
BROWN COUNTY**

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

**4. PROPERTY TAX (Continued)**

Public utilities are also taxed on personal and real property located within the Township.

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 SYSTEM**

The Township's officials and employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. The 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, OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2002.

**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 claim, including loss adjustment expenses. 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, from the General Reinsurance Corporation.

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

**JACKSON TOWNSHIP  
BROWN COUNTY**

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

**6. RISK MANAGEMENT (Continued)**

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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

Financial Position

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

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	(9,197,512)	(9,379,003)
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

**7. COMPLIANCE**

Ohio Law requires that contracts for maintenance and repair of Township roads be let by competitive bid when the amount of the repair or maintenance exceeds \$15,000. The Township paid for maintenance and repair of Township roads in amounts which exceeded \$15,000 without competitive bidding.

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**Auditor of State  
Betty Montgomery**

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

Jackson Township  
Brown County  
8592 Ash Ridge Winchester Road  
Winchester, Ohio 45697

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 13, 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 through 2002-003. We also noted immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated August 13, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-001 and 2002-003.

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 financials statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the Township in a separate letter dated August 13, 2003.

This report is intended for the information and use of 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

August 13, 2003

**JACKSON TOWNSHIP  
BROWN 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/Reportable Condition**

Ohio Rev. Code, Section 5705.41(D), provides that a subdivision or taxing unit shall not make any contract or order involving the disbursement of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment. This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of previous encumbrances, the Township Trustees may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate; and
- B. If the amount involved is less than one thousand dollars (\$1,000) (which was increased to \$3,000 on April 7, 2003), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Township Trustees if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Prior certification was not obtained for 65% of vouchers reviewed in 2002 and 60% of the vouchers reviewed in 2001 and none of the exceptions provided for above were used. This was the result of the Township not certifying the availability of funds prior to the purchase with a purchase order, using blanket purchase orders not certified by the Clerk and blanket purchase orders that were in effect for more than 3 months and/or over \$5,000.

This also resulted in the Township having material unrecorded encumbrances at December 31, 2002 in the General Fund, Motor Vehicle License Tax Fund and Gas Tax Fund and at December 31, 2001 in the Gas Tax Fund. The financial statements have been adjusted to properly reflect these encumbrances. As a result of the adjustments, encumbrances exceeded the fund balance in the Gasoline Tax Fund at December 31, 2002 and 2001. This was primarily because of road projects conducted which were not appropriated and were not properly encumbered. The contractors are performing the work and allowing the Township to pay them over a period of time, as funds become available. All work was completed in the current fiscal year; however, the contracts were not certified or encumbered in the current fiscal year. The Township should not enter into contracts for amounts in excess of current available resources and appropriations. We further recommend that purchase orders be issued in advance of the purchase to certify the funds are available and have been appropriated and to properly use blanket purchase orders to encumber funds.

**FINDING NUMBER 2002-002**

**Noncompliance Citation**

Ohio Rev. Code, Section 5575.01, requires that when the trustees proceed by contract for the maintenance or repair of township roads the contract shall, if the amount involved exceeds fifteen thousand dollars (which was increased to \$45,000 on June 30, 2003), be let by the board to the lowest responsible bidder after advertisement for bids once, not later than two weeks prior to the date fixed for the letting of such contract, in a newspaper published in the county and of general circulation within the township, but if there is no such paper published in the county, then in one having general circulation in the township.

During 2001, the Township paid \$33,341 to a contractor for maintenance and repair of Township roads. During 2002, the Township paid \$26,000 to a contractor for maintenance and repair of Township roads. These amounts exceeded the \$15,000 Township required bid limit and the Township failed to advertise these road projects for the lowest and best competitive bidding, before approving a contractor to perform the work.

We recommend the Township follow competitive bidding procedures on all road maintenance and repair projects which exceed \$15,000.

**FINDING NUMBER 2002-003**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. Expenditures exceeded appropriations in the Gasoline Tax Fund at December 31, 2001 as follows:

<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
\$104,800	\$123,752	(\$18,952)

The Clerk should deny payment requests exceeding appropriations. The Clerk may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**JACKSON TOWNSHIP  
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
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; <b><i>Explain:</i></b>
2000-40408-001	ORC 5575.01, Citation for failure to bid properly.	No	Repeated as Finding Number 2002-002
2000-40408-002	ORC,5705.41, Citation for not properly certifying expenditures.	No	Repeated as Finding Number 2002-001





**Auditor of State  
Betty Montgomery**

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**JACKSON TOWNSHIP**

**BROWN 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  
SEPTEMBER 11, 2003**