

SANDUSKY TOWNSHIP
CRAWFORD COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2005



Mary Taylor, CPA
Auditor of State

Board of Trustees
Sandusky Township
3059 State Route 602
Bucyrus, OH 44820

We have reviewed the *Independent Auditors' Report* of Sandusky Township, Crawford County, prepared by Holbrook & Manter, for the audit period January 1, 2005 to December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Sandusky Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 16, 2007

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Sandusky Township
Crawford County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sandusky Township, Crawford County, Ohio, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audits to reasonably 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.

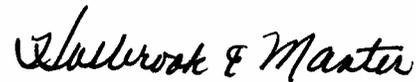
As discussed in Note 2, the Township has prepared these financial statements and notes using the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sandusky Township, Crawford County, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General and Gasoline Tax funds thereof for the year then ended on the basis of accounting described in Note 2.

As discussed in Note 3, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2007 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information, accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquires of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Certified Public Accountants

October 4, 2007

**SANDUSKY TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

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

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$293 or less than 1 percent, a minimal change from the prior year.

The Township's general receipts are primarily property taxes. These receipts represent over 50 percent of the total cash received for governmental activities during the year. Property tax receipts for 2005 changed very little compared to 2004.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

**SANDUSKY TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

Reporting the Township as a Whole

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

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

In the statement of net assets and the statement of activities, we divide the Township in a single activity:

Governmental activities. All of the Government's basic services are reported here. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Government's Most Significant Funds

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

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

The Government as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a cash basis:

Table 1 reflects the changes in net assets in 2005 compared to 2004. Even though the Township did not prepare financial statements in this format for 2004, a comparative analysis of the changes in net asset/fund balances of government-wide data can still be presented for this analysis table.

**SANDUSKY TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$ <u>70,339</u>	\$ <u>70,046</u>
Total Assets	\$ <u><u>70,339</u></u>	\$ <u><u>70,046</u></u>
Net Assets		
Unrestricted	\$ <u>70,339</u>	\$ <u>70,046</u>
Total Net Assets	\$ <u><u>70,339</u></u>	\$ <u><u>70,046</u></u>

- As mentioned previously, net assets of governmental activities increased \$293 or less than 1 percent during 2005.

Table 2 reflects the changes in net assets in 2005. Since the Government did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**SANDUSKY TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

(Table 2)
Changes in Net Assets

	Governmental Activities
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$ 0
Operating Grants and Contributions	79,804
Total Program Receipts	79,804
General Receipts:	
Property and Other Local Taxes	19,149
Grants and Entitlements Not Restricted to Specific Programs	19,361
Interest	310
Miscellaneous	313
Total General Receipts	39,133
Total Receipts	118,937
Disbursements:	
General Government	18,207
Public Safety	9,372
Public Health Services	89,575
Public Works	940
Capital Outlay	0
Total Disbursements	118,094
Total Other Financing Sources	(550)
Excess (Deficiency) Before Transfers	293
Net Assets, January 1, 2005	70,046
Net Assets, December 31, 2005	\$ 70,339

**SANDUSKY TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

Program receipts represent 68 percent of total receipts and are primarily comprise of restricted inter-Governmental receipts such as motor vehicle license and gas tax money. General receipts represent the remainder of the Township's total receipts, and of this amount, over 40 percent are local taxes. Local government Distribution and Estate Tax make up the balance of the Government's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Government and the support services provided for the other Government activities. These include the costs of the Board of Trustees, and the Fiscal Officer as well as internal services such as payroll and purchasing. Since these cost do not represent direct service to residents, we try to limit these costs to a small percentage of General Fund unrestricted receipts

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first columns list the major services provided by the Township. The next columns identify the costs of providing these services. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services	Net Cost of Services
General Government	\$ 18,207	\$ (18,207)
Public Safety	9,372	(9,372)
Public Works	89,575	(9,771)
Health	940	(940)
Other	550	(550)
Total Expenses	\$ 118,644	\$ (38,840)

The Government's Funds

Total governmental funds had receipts of \$118,936 and disbursements of \$118,094. The greatest change within governmental funds occurred within the Gasoline Tax Fund. The fund balance of the Gas Fund decreased about \$4,165.

**SANDUSKY TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

General Fund Budgeting Highlights

The Government's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Final disbursements were budgeted at \$139,850 while actual disbursements were \$118,094. Receipts that were received were very close to the budgeted amounts.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts that things will go about the same as last year for 2006 and 2007.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Government's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Vicki Blackford, Fiscal Officer; Sandusky Township, Crawford County, 3059 St. Rt. 602, Bucyrus, Ohio 44820.

SANDUSKY TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
AS OF DECEMBER 31, 2005

	<u>Governmental Activities</u>
ASSETS:-	
Equity in pooled cash and cash equivalents	\$ <u>70,339</u>
Total assets	\$ <u><u>70,339</u></u>
NET ASSETS:-	
Unrestricted	\$ <u>70,339</u>
Total net assets	\$ <u><u>70,339</u></u>

See accompanying notes to the basic financial statements

SANDUSKY TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Cash</u>	<u>Program Cash</u>	<u>Net (Disbursements)</u>	
	<u>Disbursements</u>	<u>Cash Receipts</u>	<u>Receipts and</u>	
		<u>Operating</u>	<u>Changes in Net Assets</u>	
		<u>Grants and</u>	<u>Governmental</u>	<u>Total</u>
		<u>Contributions</u>	<u>Activities</u>	
GOVERNMENTAL ACTIVITIES:-				
General government	\$ 18,207	\$ 0	\$ (18,207)	\$ (18,207)
Public safety	9,372	0	(9,372)	(9,372)
Public works	89,575	79,804	(9,771)	(9,771)
Health	940	0	(940)	(940)
Other	550	0	(550)	(550)
Capital outlay	0	0	0	0
Debt service:-	0	0	0	0
Principal	0	0	0	0
Interest	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total governmental activities	\$ <u>118,644</u>	\$ <u>79,804</u>	\$ (<u>38,840</u>)	\$ (<u>38,840</u>)
 GENERAL RECEIPTS:-				
Property taxes			\$ 19,149	\$ 19,149
Grants and entitlements not restricted to specific programs			19,361	19,361
Earnings on investments			310	310
Miscellaneous			313	313
			<u>39,133</u>	<u>39,133</u>
Total general receipts			39,133	39,133
Change in net assets			293	293
Net assets beginning of year			<u>70,046</u>	<u>70,046</u>
Net assets at end of year			\$ <u>70,339</u>	\$ <u>70,339</u>

See accompanying notes to the basic financial statements

SANDUSKY TOWNSHIP
CRAWFORD COUNTY
STATEMENT ASSETS AND FUND BALANCES CASH BASIS
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2005

ASSETS

	<u>General</u>	<u>Gasoline Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Equity in pooled cash and cash equivalents	\$ 15,579	\$ 32,068	\$ 22,692	\$ 70,339
Total assets	<u>\$ 15,579</u>	<u>\$ 32,068</u>	<u>\$ 22,692</u>	<u>\$ 70,339</u>

FUND BALANCES

RESERVED:-				
Reserved for encumbrances	\$ 0	\$ 0	\$ 0	\$ 0
UNRESERVED:-				
Undesignated, reported in:-				
General fund	15,579	0	0	15,579
Special revenue funds	<u>0</u>	<u>32,068</u>	<u>22,692</u>	<u>54,760</u>
Total fund balances	<u>\$ 15,579</u>	<u>\$ 32,068</u>	<u>\$ 22,692</u>	<u>\$ 70,339</u>

See accompanying notes to the basic financial statements

SANDUSKY TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Gasoline Tax	Other Governmental Funds	Total Governmental Funds
RECEIPTS:-				
Property and other local taxes	\$ 15,266	\$ 0	\$ 1,763	\$ 17,029
Intergovernmental	17,365	77,241	6,679	101,285
Earnings on investments	90	154	66	310
Miscellaneous	313	0	0	313
 Total receipts	 33,034	 77,395	 8,508	 118,937
DISBURSEMENTS:-				
Current;-				
General government	18,207	0	0	18,207
Public safety	9,372	0	0	9,372
Public works	0	81,560	8,015	89,575
Health	940	0	0	940
Other	0	0	0	0
Capital outlay	0	0	0	0
Debt service;-				0
Principal retirement	0	0	0	0
Interest and fiscal charges	0	0	0	0
 Total disbursements	 28,519	 81,560	 8,015	 118,094
 Excess of receipts over disbursements	 4,515	 (4,165)	 493	 843
 Total other financing sources (uses)	 (550)	 0	 0	 (550)
 Net change in fund balances	 3,965	 (4,165)	 493	 293
 Fund balances beginning of year	 11,614	 36,233	 22,199	 70,046
 Fund balances end of year	 \$ 15,579	 \$ 32,068	 \$ 22,692	 \$ 70,339

See accompanying notes to the basic financial statements

SANDUSKY TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
RECEIPTS:-				
Property and other local taxes	\$ 14,000	\$ 14,000	\$ 15,266	\$ 1,266
Intergovernmental	17,650	17,650	17,365	(285)
Earning on investments	75	75	89	14
Miscellaneous	<u>200</u>	<u>200</u>	<u>313</u>	<u>113</u>
Total receipts	31,925	31,925	33,033	1,108
DISBURSEMENTS:-				
Current:-				
General government	25,900	25,900	18,207	7,693
Public safety	11,300	11,300	9,372	1,928
Public works	0	0	0	0
Health	1,800	1,800	940	860
Other	0	0	0	0
Capital outlay	<u>1,200</u>	<u>1,200</u>	<u>0</u>	<u>1,200</u>
Total disbursements	<u>40,200</u>	<u>40,200</u>	<u>28,519</u>	<u>11,681</u>
Excess of receipts over (under) disbursements	<u>(8,275)</u>	<u>(8,275)</u>	<u>4,514</u>	<u>12,789</u>
Total other financing sources (uses)	<u>(3,000)</u>	<u>(3,000)</u>	<u>(550)</u>	<u>0</u>
Net change in fund balance	(11,275)	(11,275)	3,964	12,789
Fund balance beginning of year	11,614	11,614	11,614	0
Prior year encumbrances appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance end of year	<u>\$ 339</u>	<u>\$ 339</u>	<u>\$ 15,578</u>	<u>\$ 12,789</u>

See accompanying notes to the basic financial statements

SANDUSKY TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with
				Final Budget
				Positive
				(Negative)
RECEIPTS:-				
Intergovernmental	\$ 65,000	\$ 65,000	\$ 77,241	\$ 12,241
Earning on investments	150	150	154	4
Total receipts	65,150	65,150	77,395	12,245
DISBURSEMENTS:-				
Current;-				
General government	0	0	0	0
Public works	98,800	98,800	81,560	17,240
Other	0	0	0	0
Capital outlay	850	850	0	850
Total disbursements	99,650	99,650	81,560	18,090
Excess of receipts over (under) disbursements	(34,500)	(34,500)	(4,165)	30,335
Total other financing sources (uses)	0	0	0	0
Net change in fund balance	(34,500)	(34,500)	(4,165)	30,335
Fund balance beginning of year	36,233	36,233	36,233	0
Prior year encumbrances appropriated	0	0	0	0
Fund balance end of year	\$ 1,733	\$ 1,733	\$ 32,068	\$ 30,335

See accompanying notes to the basic financial statements

**SANDUSKY TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 - REPORTING ENTITY:-

Sandusky Township, Crawford County, Ohio (the Township), is a body politic and corporate established in to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Fiscal Officer.

The reporting entity is comprised of the primary government.

Primary Government - The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance. The Township contracts with the Liberty Township for fire protection.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

These financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

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

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Township that are governmental. Sandusky Township has no activities that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

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

**SANDUSKY TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

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

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

Governmental Funds - The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's major governmental funds are the General Fund and the Gasoline Tax Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Basis of Accounting - The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

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

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

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

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund

**SANDUSKY TOWNSHIP
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

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

During 2005, the Township had no investments other than the interest it made off of the Township's Primary Checking Account. The Township's Primary Checking Account interest is recorded at the amount reported by First Federal Community Bank on December 31, 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 were \$310.

Net Assets - Net assets are reported as restricted when limitations imposed on their use either through enabling legislation or through external restricts imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for maintenance and repair in the Gasoline Tax Fund. The Township had no restricted assets during 2005.

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

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

Employer Contributions to Cost-Sharing Pension Plans - The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long Term Obligations - The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid. The Township had no long-term obligations at December 31, 2005.

Fund Balance Reserves - The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. The Township had no reserves at December 31, 2005.

NOTE 3 - CHANGE IN PRESENTATION:-

In 2004, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, as described in note 2. The fund financial statements now present each major fund in a separate column with non major funds aggregated and presented in a single column, rather than a column for each fund type.

**SANDUSKY TOWNSHIP
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 3 - CHANGE IN PRESENTATION:- (continued)

In addition, for fiscal year 2005, the Township has implemented Governmental Accounting Standards Board (GASB) Statement No. 40 "Deposits and Investment Risk Disclosure". GASB Statement No. 40 creates new disclosure requirement for deposits and investments related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The implementation of this statement had no effect on the Township's financial statement for fiscal year 2005.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING:-

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and Gasoline Tax Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an inter-fund receivable or payable (cash basis)). There were no outstanding encumbrances or advances at the end of the year.

NOTE 5 - DEPOSITS AND INVESTMENTS:-

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**SANDUSKY TOWNSHIP
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 6 - DEPOSITS AND INVESTMENTS:- (continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

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

NOTE 7 - PROPERTY TAXES:-

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

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

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory.

**SANDUSKY TOWNSHIP
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 7 - PROPERTY TAXES:- (continued)

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder, payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$47.58 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

DECEMBER 31, 2005	
Real Property:-	
Residential	\$ 4,356,180
Agriculture	3,821,850
Commercial/ Industrial/ Mineral	8,480
Public Utility Property:-	
Real	0
Personal	388,780
Tangible personal property	<u>17,500</u>
Total assessed value	\$ <u><u>8,592,790</u></u>

NOTE 8 - RISK MANAGEMENT:-

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2005 the Township contracted with Several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Arch Insurance Co. Through Midland Ins.	Commercial Property	118,600
	General Liability	3,000,000
	Commercial Crime	7,000
	Inland Marine	
	Vehicle	35,000
Auck Insurance Co.	Errors and Omissions	
	Public Officials	50,000
	Fidelity and Deposit	300,000

Township has had no claims in the last three years and there was not significant reduction in coverage from the prior year.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

As of December 31, 2005, all insurance premiums had been properly paid to date.

**SANDUSKY TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 9 - DEFINED BENEFIT PENSION PLAN:-

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

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

The Townships required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2005 was \$6,932. The full amount has been contributed for 2005.

NOTE 10 - POST EMPLOYMENT BENEFITS:-

Ohio Public Employees Retirement System - The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1 and 6 percent annually for the next eight years and 4 percent annually after eight years

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

**SANDUSKY TOWNSHIP
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 10 - POST EMPLOYMENT BENEFITS:- (continued)

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Township contributions for 2005 which were used to fund post employment benefits were \$4,014. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.



Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Sandusky Township
Crawford County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sandusky Township, Crawford County, Ohio (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements. We have issued our report thereon dated October 4, 2007, wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards No. 34 "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 an opinion 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 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 we have reported to the management of the Township in a separate letter dated October 4, 2007.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated October 4, 2007.

This report is intended solely for the information and use of the management and Township Council. It is not intended to be and should not be used by anyone other than these specified parties.

Holbrook & Manter

Certified Public Accountants

October 4, 2007

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OHIO SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS



Mary Taylor, CPA
Auditor of State

SANDUSKY TOWNSHIP

CRAWFORD 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 4, 2007**