



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**JACKSON TOWNSHIP
MONROE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Findings	11
Schedule of Prior Audit Findings	13

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REPORT OF INDEPENDENT ACCOUNTANTS

Jackson Township
Monroe County
47431 Barnes Run Road
Sardis, Ohio 43946

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Monroe County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Jackson Township, Monroe County, as of December 31, 2001 and 2000, 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 25, 2002, 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 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, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

June 25, 2002

**JACKSON TOWNSHIP
MONROE COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$8,440	\$0	\$8,440
Intergovernmental	23,660	60,062	83,722
Earnings on Investments	271	1,988	2,259
Other Revenue	600	3,624	4,224
	<u>32,971</u>	<u>65,674</u>	<u>98,645</u>
Total Cash Receipts			
	<u>32,971</u>	<u>65,674</u>	<u>98,645</u>
Cash Disbursements:			
Current:			
General Government	12,953	0	12,953
Public Safety	1,000	0	1,000
Public Works	0	59,088	59,088
Health	1,341	0	1,341
	<u>15,294</u>	<u>59,088</u>	<u>74,382</u>
Total Cash Disbursements			
	<u>15,294</u>	<u>59,088</u>	<u>74,382</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>17,677</u>	<u>6,586</u>	<u>24,263</u>
Fund Cash Balances, January 1	<u>3,080</u>	<u>148,913</u>	<u>151,993</u>
Fund Cash Balances, December 31	<u><u>\$20,757</u></u>	<u><u>\$155,499</u></u>	<u><u>\$176,256</u></u>

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

**JACKSON TOWNSHIP
MONROE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$8,697	\$0	\$8,697
Intergovernmental	4,268	81,498	85,766
Earnings on Investments	355	2,416	2,771
Other Revenue	0	21,011	21,011
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	13,320	104,925	118,245
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	13,590	0	13,590
Public Works	300	72,808	73,108
Health	1,475	0	1,475
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	15,365	72,808	88,173
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(2,045)	32,117	30,072
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	5,125	116,796	121,921
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$3,080	\$148,913	\$151,993
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**JACKSON TOWNSHIP
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Jackson Township, Monroe 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 general governmental services, including maintenance of roads and fire protection.

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

The Township had no investments during the audit period.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Motor Vehicle License Tax Fund – This fund receives motor vehicle license tax money to construct, maintain and repair Township roads.

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain and repair Township roads.

**JACKSON TOWNSHIP
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Federal Emergency Management Agency (FEMA) Fund – This fund receives money from the Federal Emergency Management Agency to provide flood damage relief to the Township.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2001 and 2000 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

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

	<u>2001</u>	<u>2000</u>
Demand deposits	<u>\$176,256</u>	<u>\$151,993</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, and/or (2) collateralized by securities specifically pledged by the financial institution to the Township. The Township failed to provide adequate collateral, contrary to Ohio Revised Code.

**JACKSON TOWNSHIP
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,821	\$32,971	\$5,150
Special Revenue	64,100	65,674	1,574
Total	\$91,921	\$98,645	\$6,724

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$16,714	\$15,294	\$1,420
Special Revenue	176,985	59,088	117,897
Total	\$193,699	\$74,382	\$119,317

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$11,103	\$13,320	\$2,217
Special Revenue	79,211	104,925	25,714
Total	\$90,314	\$118,245	\$27,931

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$16,219	\$15,365	\$854
Special Revenue	182,377	72,808	109,569
Total	\$198,596	\$88,173	\$110,423

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.

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.

**JACKSON TOWNSHIP
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

4. PROPERTY TAX (Continued)

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 officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer's contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.



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

Jackson Township
Monroe County
47431 Barnes Run Road
Sardis, Ohio 43946

To the Board of Trustees:

We have audited the accompanying financial statements of Jackson Township, Monroe County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 25, 2002. 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 2001-61056-001 2001-61056-002 and 2001-61056-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 25, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 25, 2002.

This report is intended solely 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

June 25, 2002

**JACKSON TOWNSHIP
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-61056-001

Noncompliance Citation

Ohio Rev. Code Section 505.24 states the Board of Trustees shall be paid from the General Fund or from such other Township funds in such proportions as the board may specify by resolution. The salary resolution must allocate the salary distribution from various funds in the same proportion as the Board of Trustees' service bears to the activities supported by such funds, as determined by the Board of Trustees. During the audit period, the salaries of the Board of Trustees were charged entirely to the Gasoline Tax Fund. A resolution had not been adopted by the Board of Trustees specifying how trustee salaries would be allocated. However, activities of an administrative nature, such as monthly meetings should be charged to the General Fund.

During the audit period, the Township paid all three Board of Trustee's salary completely from the Gasoline Tax Fund.

We recommend the Board of Trustees at the beginning of each year pass a Resolution stating the amount of Trustee's salary to be paid from each and the percentage thereof. On May 3, 2002, the Board of Trustees adopted a retroactive resolution authorizing eight percent (8%) of each Board of Trustee's salary to be charged to the General Fund and ninety-two percent (92%) to be paid from the Gasoline Tax Fund for 2000 and 2001. The financial statements include an adjustment of \$3,069 to be consistent with the retroactive resolution.

FINDING NUMBER 2001-61056-002

Noncompliance Citation

Ohio Rev. Code Section 507.09 sets the compensation for Township Clerks.

In 2001, the employer's share of the Township Clerk's Medicare and PERS was \$1,262 and in 2000, the employer's share was \$1,003. These amounts were paid from the Gasoline Tax Fund which is restrictive in regards to allowable expenditures. The Township Clerk's normal job duties are administrative in nature and should be paid from the General Fund, which is the fund from which the Township Clerk's salary was paid.

We recommend the Township Clerk's fringe benefits be paid from the General Fund, the same fund that pays her salary. This adjustment of \$2,265 has been made to the financial statements and the Township's accounting records.

**JACKSON TOWNSHIP
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2001-61056-003

Noncompliance Citation

Ohio Rev. Code Section 135.18 states the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities. During the audit period, the Township had funds on deposit that exceeded FDIC coverage, and there was no evidence presented which proved the depository had pledged additional collateral to cover the balances on deposit. The depository contract stated that additional coverage would be pledged.

As a result, the Township had unprotected depository funds during the audit period.

We recommend the Township Clerk monitor her funds on deposit and seek additional collateral if her balances exceed the FDIC pledge of \$100,000.

**JACKSON TOWNSHIP
MONROE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-61056-001	Ohio Rev. Code Section 5705.41(D) – incurred expenditures prior to the Township Clerk’s certification.	No	Partially corrected. Repeated in Management Letter.
1999-61056-002	Ohio Rev. Code Section 5705.38 – did not adopt a temporary appropriations resolution before expenditures were made.	Yes	
1999-61056-003	Ohio Rev. Code Section 5705.41 (B) – expenditures exceeded appropriations.	Yes	
1999-61056-004	Posting of Budgetary Appropriations and Estimates did not agree to the amounts approved by the Trustees and the Budget Commission.	No	Partially corrected. Repeated in Management Letter.



STATE OF OHIO
OFFICE OF THE AUDITOR

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JACKSON TOWNSHIP

MONROE 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
AUGUST 27, 2002**