



**JACKSON TOWNSHIP  
SENECA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2006**



**Mary Taylor, CPA**  
Auditor of State



**JACKSON TOWNSHIP  
SENECA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets - Modified Cash Basis.....	9
Statement of Activities - Modified Cash Basis.....	10
Fund Financial Statements:	
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds .....	11
Statement of Cash Receipts, Disbursements and Changes in Modified- Cash Basis Fund Balances Governmental Funds.....	12
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund .....	13
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – Gasoline Tax Fund .....	14
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – Road and Bridge Fund .....	15
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – Fire Fund .....	16
Statement of Fiduciary Net Assets - Fiduciary Fund.....	17
Notes to the Basic Financial Statements .....	18
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	31

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Jackson Township  
Seneca County  
6250 North County Road 3  
Fostoria, Ohio 44830-9594

To the Governing Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Township, Seneca County, Ohio (the Township), as of and for the year ended December 31, 2006, 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 opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. 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 modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Township, Seneca County, Ohio, as of December 31, 2006, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge and Fire Funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 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 the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries 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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

May 30, 2007

**JACKSON TOWNSHIP  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED**

This discussion and analysis of Jackson Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, within the limitations of the Township's modified 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 2006 are as follows:

- Net assets of governmental activities increased \$3,912 or 3 percent, from the prior year.
- The Township's general receipts are primarily property taxes and intergovernmental revenues. These receipts represent respectively 31 percent and 48 percent of the total cash received for governmental activities during the year. Property tax receipts and intergovernmental revenues for 2006 changed very little compared to 2005 as development within the Township has slowed.
- Estate Tax revenue increased by \$10,384 or 85 percent.
- Gas Tax revenue increased by \$7,225 or 9 percent due to the State increase in Fuel Excise Tax rates.
- The Township purchased a new dump truck in 2006, for \$75,287. A five year loan for \$63,287 at 5.03 percent interest was taken out at Sky Bank. The remainder of the cost was paid from the Gas Tax Fund. The Township also purchased a snow plow and hitch for the truck at a cost of \$12,165.
- The Township's major road project for 2006 was widening and paving TR 33. This was done through the County/Township Issue II program. The cost for paving was \$58,564 with \$38,564 paid by the Township and \$20,000 paid by the State. Asphalt costs have risen significantly. The widening was done by force account by the Township at a cost of \$15,955.

**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 modified 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.

**JACKSON TOWNSHIP  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2006, within the limitations of modified 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. 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 Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified 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 taxes.

In the statement of net assets and the statement of activities we report governmental activities which include the Township's basic services which include road maintenance, fire protection, emergency medical services and recycling. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Township'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 split into governmental and fiduciary categories.



**JACKSON TOWNSHIP  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

Governmental Funds - Most of the Township'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, the Gasoline Tax Fund, the Road and Bridge Fund and the Fire Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs.

**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 on a modified cash basis:

(Table 1)  
**Net Assets**

	<u>Governmental Activities</u>	
	2006	2005
<b>Assets</b>		
Cash and Cash Equivalents	\$ 157,038	\$ 153,126
Total Assets	\$ 157,038	\$ 153,126
 <b>Net Assets</b>		
Restricted for:		
Other Purposes	\$ 125,855	\$ 125,392
Unrestricted	31,183	27,734
Total Net Assets	\$ 157,038	\$ 153,126

As mentioned previously, net assets of governmental activities increased \$3,912 or 3 percent during 2006. The primary reason contributing to the low increase is the purchase of the dump truck, snow plow and hitch.

**JACKSON TOWNSHIP  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets in 2006.

(Table 2)  
**Changes in Net Assets**

	Governmental Activities	
	2006	2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$3,756	\$4,410
Operating Grants and Contributions	104,537	102,357
Capital Grants and Contributions	20,000	18,201
Total Program Receipts	128,293	124,968
General Receipts:		
Property and Other Local Taxes	118,758	115,117
Debt Proceeds	63,287	
Grants and Entitlements Not Restricted to Specific Programs	59,749	46,443
Interest	3,292	1,261
Miscellaneous	6,795	7,630
Total General Receipts	251,881	170,451
Total Receipts	380,174	295,419
Disbursements:		
General Government	56,474	55,353
Public Safety	32,162	35,680
Public Works	172,954	153,774
Public Health Services	7,064	7,237
Capital Outlay	107,608	18,808
Total Disbursements	376,262	270,852
Increase in Net Assets	3,912	24,567
Net Assets, January 1	153,126	128,559
Net Assets, December 31	\$157,038	\$153,126

Program receipts represent 34 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, street lighting assessments and Issue 2 money.

General receipts represent 66 percent of the Township's total receipts, and of this amount, over 47 percent are local taxes. State and federal grants and entitlements make up 24 percent with the debt proceeds making up the balance of the Township's general receipts (25 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

**JACKSON TOWNSHIP  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of board of trustees, and the auditor, treasurer, as well as internal services such as payroll and purchasing.

Public Safety is the costs of fire protection and emergency medical services; Public Health Services is the cemetery and related costs; Public Works is the cost of maintaining the roads, street lighting and trash collection; and Capital Outlay is the cost of road improvement. Other disbursements are very insignificant and somewhat unpredictable costs.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public works and capital outlay, which account for 50 and 29 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 15 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. 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)

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
General Government	\$56,474	\$54,970	\$55,353	\$53,555
Public Safety	32,162	29,662	35,680	27,959
Public Works	172,954	48,665	153,774	38,725
Public Health Services	7,064	7,064	7,237	6,837
Capital Outlay	107,608	107,608	18,808	18,808
Total Expenses	<u>\$376,262</u>	<u>\$247,969</u>	<u>\$270,852</u>	<u>\$145,884</u>

The dependence upon property tax receipts is apparent as over 32 percent of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts and other financing sources of \$380,174 and disbursements of \$376,262. The greatest change within governmental funds occurred within the Gas Tax Fund. The fund balance of the Gas Tax Fund decreased \$15,039 as the result of increased costs for asphalt and the purchase of new equipment.

The fund balances from all the other major funds increased in 2006. The Road & Bridge Fund increased \$6,798 due to a slight increase in property tax valuations and more money for road maintenance being paid out of the Gas Tax Fund.

**JACKSON TOWNSHIP  
SENECA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(Continued)**

**General Fund Budgeting Highlights**

The Township'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.

During 2006, the Township amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to earnings on investments and unexpected Estate Tax revenue. The difference between final budgeted receipts and actual receipts was insignificant.

Final disbursements were budgeted at \$87,193 while actual disbursements were \$76,461. The Township kept spending under budgeted amounts as demonstrated by the positive reported variances of \$10,732. The result is an increase in fund balance of \$3,368 for 2006.

**Capital Assets and Debt Administration**

**Capital Assets**

The Township does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

**Debt**

At December 31, 2006, the Township's outstanding debt included \$63,287 in a promissory note with Sky Bank for the purchase of a dump truck. For further information regarding the Township's debt, refer to Note 9 to the basic financial statements.

**Current Issues**

The challenge for all Townships 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 intergovernmental revenues. Road maintenance and repairs are a top priority for the Township. Purchasing the 2007 diesel dump truck to replace our 1981 gasoline truck will help maintain and repair roads more efficiently. Rising asphalt and labor costs have made financing of road paving and sealing with only the Township's funds very difficult. Therefore, the Township has applied for significant Issue One money for 2007.

**Contacting the Township'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 Township'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 Linda S. Naderer, Fiscal Officer, 6250 N Co Rd 3, Fostoria, Ohio 44830-9594.

**JACKSON TOWNSHIP**  
**SENECA COUNTY**

*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2006*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$157,038</u>
<i>Total Assets</i>	<u><u>\$157,038</u></u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	\$125,855
Unrestricted	<u>31,183</u>
<i>Total Net Assets</i>	<u><u>\$157,038</u></u>

See accompanying notes to the basic financial statements

**JACKSON TOWNSHIP  
SENECA COUNTY**

*Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2006*

		Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government	\$56,474	\$1,504			(\$54,970)
Public Safety	32,162		\$2,500		(29,662)
Public Works	172,954	2,252	102,037	\$20,000	(48,665)
Public Health Services	7,064				(7,064)
Capital Outlay	107,608				(107,608)
<b>Total</b>	<b>\$376,262</b>	<b>\$3,756</b>	<b>\$104,537</b>	<b>\$20,000</b>	<b>(247,969)</b>
		<b>General Receipts</b>			
		Property Taxes Levied for:			
					25,274
					63,057
					25,771
					4,656
					59,749
					63,287
					3,292
					6,795
					<b>251,881</b>
					3,912
					<b>153,126</b>
					<b>\$157,038</b>

See accompanying notes to the basic financial statements

**JACKSON TOWNSHIP  
SENECA COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2006*

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Fire</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$31,183	\$36,661	\$22,074	\$41,654	\$25,466	\$157,038
<i>Total Assets</i>	<u>\$31,183</u>	<u>\$36,661</u>	<u>\$22,074</u>	<u>\$41,654</u>	<u>\$25,466</u>	<u>\$157,038</u>
<b>Fund Balances</b>						
Reserved:						
Reserved for Encumbrances	\$81			\$64	\$169	\$314
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	31,102					31,102
Special Revenue Funds		\$36,661	\$22,074	41,590	25,297	125,622
<i>Total Fund Balances</i>	<u>\$31,183</u>	<u>\$36,661</u>	<u>\$22,074</u>	<u>\$41,654</u>	<u>\$25,466</u>	<u>\$157,038</u>

See accompanying notes to the basic financial statements

**JACKSON TOWNSHIP  
SENECA COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006*

	General	Gasoline Tax	Road and Bridge	Fire	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and Other Local Taxes	\$25,274		\$63,057	\$25,771	\$4,656	\$118,758
Licenses, Permits and Fees	1,504					1,504
Intergovernmental	47,206	\$83,509	8,417	3,566	41,588	184,286
Special Assessments					2,252	2,252
Interest	1,950	1,039		136	167	3,292
Other	3,895	100		2,000	800	6,795
<i>Total Receipts</i>	<u>79,829</u>	<u>84,648</u>	<u>71,474</u>	<u>31,473</u>	<u>49,463</u>	<u>316,887</u>
<b>Disbursements</b>						
Current:						
General Government	56,474					56,474
Public Safety				26,061	6,101	32,162
Public Works	12,844	75,522	64,676		19,912	172,954
Public Health Services	7,062				2	7,064
Capital Outlay		87,452			20,156	107,608
<i>Total Disbursements</i>	<u>76,380</u>	<u>162,974</u>	<u>64,676</u>	<u>26,061</u>	<u>46,171</u>	<u>376,262</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,449</u>	<u>(78,326)</u>	<u>6,798</u>	<u>5,412</u>	<u>3,292</u>	<u>(59,375)</u>
<b>Other Financing Source</b>						
Debt Proceeds		63,287				63,287
<i>Net Change in Fund Balances</i>	3,449	(15,039)	6,798	5,412	3,292	3,912
<i>Fund Balances Beginning of Year</i>	<u>27,734</u>	<u>51,700</u>	<u>15,276</u>	<u>36,242</u>	<u>22,174</u>	<u>153,126</u>
<i>Fund Balances End of Year</i>	<u>\$31,183</u>	<u>\$36,661</u>	<u>\$22,074</u>	<u>\$41,654</u>	<u>\$25,466</u>	<u>\$157,038</u>

See accompanying notes to the basic financial statements



**JACKSON TOWNSHIP  
SENECA COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
General Fund  
For the Year Ended December 31, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$24,300	\$24,300	\$25,274	\$974
Licenses, Permits and Fees	1,500	1,500	1,504	4
Intergovernmental	33,600	45,834	47,206	1,372
Interest	420	420	1,950	1,530
Other	3,150	3,150	3,895	745
<i>Total Receipts</i>	<u>62,970</u>	<u>75,204</u>	<u>79,829</u>	<u>4,625</u>
<b>Disbursements</b>				
Current:				
General Government	64,679	64,679	56,555	8,124
Public Works	14,000	14,000	12,844	1,156
Public Health Services	8,514	8,514	7,062	1,452
<i>Total Disbursements</i>	<u>87,193</u>	<u>87,193</u>	<u>76,461</u>	<u>10,732</u>
<i>Net Change in Fund Balance</i>	(24,223)	(11,989)	3,368	15,357
<i>Fund Balance Beginning of Year</i>	<u>27,055</u>	<u>27,055</u>	<u>27,055</u>	
Prior Year Encumbrances Appropriated	<u>679</u>	<u>679</u>	<u>679</u>	
<i>Fund Balance End of Year</i>	<u><u>\$3,511</u></u>	<u><u>\$15,745</u></u>	<u><u>\$31,102</u></u>	<u><u>\$15,357</u></u>

See accompanying notes to the basic financial statements

**JACKSON TOWNSHIP  
SENECA COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Gasoline Tax Fund  
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$81,947	\$81,947	\$83,509	\$1,562
Interest	150	150	1,039	889
Other			100	100
<i>Total Receipts</i>	<u>82,097</u>	<u>82,097</u>	<u>84,648</u>	<u>2,551</u>
<b>Disbursements</b>				
Current:				
Public Works	79,538	79,538	75,522	4,016
Capital Outlay		88,287	87,452	835
Debt Service:				
Principal Retirement	32,000	7,000		7,000
Interest and Fiscal Charges	2,000	2,000		2,000
<i>Total Disbursements</i>	<u>113,538</u>	<u>176,825</u>	<u>162,974</u>	<u>13,851</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(31,441)</u>	<u>(94,728)</u>	<u>(78,326)</u>	<u>16,402</u>
<b>Other Financing Uses</b>				
Debt Proceeds		63,287	63,287	
<i>Net Change in Fund Balance</i>	(31,441)	(31,441)	(15,039)	16,402
<i>Fund Balance Beginning of Year</i>	<u>51,576</u>	<u>51,576</u>	<u>51,576</u>	
Prior Year Encumbrances Appropriated	<u>124</u>	<u>124</u>	<u>124</u>	
<i>Fund Balance End of Year</i>	<u><u>\$20,259</u></u>	<u><u>\$20,259</u></u>	<u><u>\$36,661</u></u>	<u><u>\$16,402</u></u>

See accompanying notes to the basic financial statements

**JACKSON TOWNSHIP  
SENECA COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Road and Bridge Fund  
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$60,100	\$60,100	\$63,057	\$2,957
Intergovernmental	5,900	5,900	8,417	2,517
<i>Total Receipts</i>	<u>66,000</u>	<u>66,000</u>	<u>71,474</u>	<u>5,474</u>
<b>Disbursements</b>				
Current:				
Public Works	69,280	69,280	64,676	4,604
<i>Net Change in Fund Balance</i>	(3,280)	(3,280)	6,798	10,078
<i>Fund Balance Beginning of Year</i>	<u>14,626</u>	<u>14,626</u>	<u>14,626</u>	
Prior Year Encumbrances Appropriated	650	650	650	
<i>Fund Balance End of Year</i>	<u><u>\$11,996</u></u>	<u><u>\$11,996</u></u>	<u><u>\$22,074</u></u>	<u><u>\$10,078</u></u>

See accompanying notes to the basic financial statements

**JACKSON TOWNSHIP  
SENECA COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Fire Fund  
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$24,800	\$24,800	\$25,771	\$971
Intergovernmental	2,000	2,000	3,566	1,566
Interest			136	136
Other	2,000	2,000	2,000	
<i>Total Receipts</i>	<u>28,800</u>	<u>28,800</u>	<u>31,473</u>	<u>2,673</u>
<b>Disbursements</b>				
Current:				
Public Safety	41,248	41,248	26,125	15,123
Capital Outlay	7,000	7,000		7,000
<i>Total Disbursements</i>	<u>48,248</u>	<u>48,248</u>	<u>26,125</u>	<u>22,123</u>
<i>Net Change in Fund Balance</i>	(19,448)	(19,448)	5,348	24,796
<i>Fund Balance Beginning of Year</i>	<u>36,164</u>	<u>36,164</u>	<u>36,164</u>	
Prior Year Encumbrances Appropriated	<u>78</u>	<u>78</u>	<u>78</u>	
<i>Fund Balance End of Year</i>	<u><u>\$16,794</u></u>	<u><u>\$16,794</u></u>	<u><u>\$41,590</u></u>	<u><u>\$24,796</u></u>

See accompanying notes to the basic financial statements

**JACKSON TOWNSHIP  
SENECA COUNTY**

*Statement of Fiduciary Net Assets  
Fiduciary Fund  
December 31, 2006*

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,355</u>
<i>Total Assets</i>	<u><u>\$2,355</u></u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	<u>\$2,355</u>
<i>Total Net Assets</i>	<u><u>\$2,355</u></u>

See accompanying notes to the basic financial statements

**JACKSON TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**NOTE 1 – REPORTING ENTITY**

The Jackson Township, Seneca County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government.

**A. 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, and cemetery maintenance. The Township contracts with the Kansas and Risingsun Volunteer Fire Departments and the Bascom Joint Fire District for fire protection and the City of Fostoria for emergency medical services. Police protection is provided by the Seneca County Sheriff.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Based on these criteria, the Township has no component units.

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**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified 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 modified 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.

**JACKSON TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

A. 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. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange 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 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 is self-financing on a cash basis or draws from the Township's general receipts.

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. Nonmajor funds are aggregated and presented in a single column.

B. 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 funds of the Township are categorized as governmental and fiduciary.

**JACKSON TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are as follows:

1. **General 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.

2. **Gasoline Tax Fund**

The Gasoline Tax Fund receives state fuel excise taxes to pay for operating, constructing, maintaining and repairing Township Roads.

3. **Road and Bridge Fund**

The Road and Bridge Fund receives property tax monies for operating, constructing, maintaining and repairing Township roads and bridges.

4. **Fire Fund**

The Fire Fund receives property tax monies for the purpose of providing fire protection and maintaining fire apparatus, appliances and buildings or sites.

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

Fiduciary Fund

Fiduciary funds include pension trust funds, investments trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency fund accounts for insurance proceeds held in an escrow account for the demolition of a building in the Township.

C. Basis of Accounting

The Township's financial statements are prepared using the modified 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.



**JACKSON TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

As a result of the use of this modified 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 expenses and liabilities) are not recorded in these financial statements.

**D. 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 ordinance 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 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.

**E. Cash**

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 2006, the Township only invested in active funds in the form of a demand account (checking account) and a savings account with Old Fort Banking Company and Sky Bank, the Township's designated depository banks.

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 2006 was \$1,950 which includes \$1,342 assigned from other Township funds.

**F. Inventory and Prepaid Items**

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**JACKSON TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

G. 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.

H. Accumulated Leave

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

I. 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 7 and 8, the employer contributions include portions for pension benefits and postretirement health care benefits.

J. Long-Term Obligations

The Township's modified 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.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road and bridge construction, maintenance, repair, fire protection and emergency medical services.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**NOTE 3 – 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 any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$81 for the General Fund and \$64 for the Fire Fund.

**JACKSON TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 4 – 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. Interim 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;
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).

**JACKSON TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)**

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.

At year end, the Township had no undeposited cash on hand.

Deposits with Financial Institutions

At December 31, 2006, the carrying amount of all Township deposits was \$159,393. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2006, \$107,491 of the Township's bank balance of \$235,801 was covered by the Federal Deposit Insurance Corporation, and \$128,310 was exposed to custodial credit risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the Township's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Township.

**NOTE 5 – 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 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, 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 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. 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.

**JACKSON TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 5 – PROPERTY TAXES – (CONTINUED)**

The full tax rate for all Township operations for the year ended December 31, 2006, was 5.3 mills per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$14,655,900
Agriculture	7,409,530
Commercial/Industrial/Mineral	607,500
Public Utility Property	
Real	1,432,010
Personal	2,530,440
Tangible Personal Property	212,273
Total Assessed Value	<u>\$26,847,653</u>

**NOTE 6 – RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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**

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**JACKSON TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 6 – RISK MANAGEMENT – (CONTINUED)**

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

**JACKSON TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 6 – RISK MANAGEMENT – (CONTINUED)**

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$13,944. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**Contributions to OTARMA**

2004	\$6,692
2005	\$6,986
2006	\$6,972

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**NOTE 7 – 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.

**JACKSON TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN – (CONTINUED)**

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, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.0 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.70. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004, were \$10,374, \$9,987 and \$9,820 respectively. The full amount has been contributed for 2006, 2005 and 2004. Contributions to the member-directed plan for 2006 were \$10,374 made by the Township and \$6,815 made by the plan members.

**NOTE 8 - POSTEMPLOYMENT 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 qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. 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 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 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 costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. 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, not to exceed a 12 percent corridor.



**JACKSON TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**NOTE 8 - POSTEMPLOYMENT BENEFITS – (CONTINUED)**

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$3,408. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 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. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**NOTE 9 - DEBT**

The Township's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance Outstanding 12/31/05	Additions	Reductions	Balance Outstanding 12/31/06
<b>Governmental Activities:</b>					
Promissory Note	5.03%	\$ -	\$ 63,287	\$ -	\$ 63,287

The note was issued for a 2007 international dump truck. The note is backed by the full faith and credit of the Township and is payable from the Fuel Excise Tax received into the Gas Tax Fund.

The following is a summary of the future annual minimum payments required under the loan agreement as of December 31, 2006:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 11,417	\$ 3,083	\$ 14,500
2008	11,999	2,501	14,500
2009	12,627	1,874	14,501
2010	13,279	1,222	14,501
2011	13,965	536	14,501
Total payments	\$ 63,287	\$ 9,216	\$ 72,503

Ohio Revised Code §133.09 provides that a Township shall not incur net indebtedness that exceeds an amount equal to five percent of its tax valuation, and, except as specifically authorized by Ohio Revised Code §505.262. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2006, were an overall debt margin of \$2,819,004 and an unvoted debt margin of \$1,476,621.

**This page intentionally left blank.**



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Jackson Township  
Seneca County  
6250 North County Road 3  
Fostoria, Ohio 44830-9594

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Township, Seneca County, Ohio (the Township) as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated May 30, 2007, where in we noted the Township prepares its financial statements on the modified cash basis of accounting. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

One Government Center / Suite 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Township's management in a separate letter dated May 30, 2007.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*.

We did note a certain noncompliance matter that we reported to the Township's management in a separate letter dated May 30, 2007.

We intend this report solely for the information and use of the governing board and management. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

May 30, 2007



**Mary Taylor, CPA**  
Auditor of State

**JACKSON TOWNSHIP**

**SENECA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 3, 2007**