



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PALMER TOWNSHIP
PUTNAM COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Palmer Township
Putnam County
2277 Road 18
Continental, Ohio 45831-9561

To the Board of Trustees:

We have audited the accompanying financial statements of Palmer Township, Putnam County, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrance of the Township as of December 31, 2000 and 1999, 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 8, 2001 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the 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.

Jim Petro
Auditor of State

June 8, 2001

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**PALMER TOWNSHIP
PUTNAM COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Agency Fund</u>	
Cash Receipts:					
Local Taxes	\$14,147	\$61,344			\$75,491
Intergovernmental	51,072	79,234			130,306
Licenses, Permits and Fees	600				600
Earnings on Investments	2,145	1,336			3,481
Other Revenue	172	8,778		\$6,571	15,521
	<u>68,136</u>	<u>150,692</u>		<u>6,571</u>	<u>225,399</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	66,153				66,153
Public Safety		16,443			16,443
Public Works		55,525			55,525
Health	131				131
Debt Service:					
Redemption of Principal		10,319		6,228	16,547
	<u>66,284</u>	<u>82,287</u>		<u>6,228</u>	<u>154,799</u>
Total Cash Disbursements					
Total Receipts Over Disbursements	1,852	68,405		343	70,600
Fund Cash Balances, January 1	18,378	36,232			54,610
Fund Cash Balances, December 31	<u>\$20,230</u>	<u>\$104,637</u>		<u>\$343</u>	<u>\$125,210</u>
Reserve for Encumbrances, December 31		<u>\$76,190</u>	<u>\$64,855</u>		<u>\$141,045</u>

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

**PALMER TOWNSHIP
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$11,849	\$57,570	\$69,419
Intergovernmental	38,174	79,231	117,405
Licenses, Permits, and Fees	725		725
Earnings on Investments	1,434	747	2,181
Other Revenue	30,612	8,778	39,390
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	82,794	146,326	229,120
Cash Disbursements:			
Current:			
General Government	78,480		78,480
Public Safety		16,405	16,405
Public Works		101,401	101,401
Health	127		127
Debt Service:			
Redemption of Principal		10,319	10,319
Capital Outlay		2,000	2,000
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	78,607	130,125	208,732
Total Receipts Over Disbursements	4,187	16,201	20,388
Fund Cash Balances, January 1	14,191	20,031	34,222
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$18,378	\$36,232	\$54,610
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31			

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

**PALMER TOWNSHIP
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Palmer Township, Putnam 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 road maintenance and repair, cemetery maintenance, 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 and Investments

Township had no investment 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:

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

Road and Bridge Fund - This fund receives property tax receipts for maintaining and repairing Township roads and bridges.

**PALMER TOWNSHIP
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Road District Fund - This fund receives property tax receipts for maintaining and repairing Township roads.

Motor Vehicle License Tax - This fund receives license tax receipts for maintaining and repairing Township roads.

Fire District Fund - This fund receives tax monies assessed and levied on the general assessed valuation of real and personal property taxes for the protection against fire.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Issue II Fund - The Township is to receive a grant from the State of Ohio for road repairs.

4. Fiduciary Fund (Agency Fund)

This fund is used to account for funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Issue II Agency Fund - The Township is serving as fiscal agent for a grant to be received from the State of Ohio for road repairs. There are four other Township's participating in this project, this fund accounts for the funds received and expend from those Township's for the Issue II project.

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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

**PALMER TOWNSHIP
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. With the exception of an outstanding contract at December 31, 2000, encumbrances outstanding at year are canceled, and reappropriated in the subsequent year.

A summary of 2000 and 1999 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.

G. Unpaid Vacation Leave

The employee is entitled to cash payment for unused vacation in certain circumstances, such as upon leaving employment. Unpaid vacation leave is not reflected as a liability under the basis of accounting used by the Township.

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>2000</u>	<u>1999</u>
Savings account	<u>\$125,210</u>	<u>\$54,610</u>

Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$61,085	\$68,136	\$7,051
Special Revenue	150,146	150,692	546
Capital Projects	64,855	(64,855)	(64,855)
Total	<u>\$276,086</u>	<u>\$218,828</u>	<u>(\$57,258)</u>

**PALMER TOWNSHIP
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$79,463	\$66,284	\$13,179
Special Revenue	186,378	158,477	27,901
Capital Projects	64,855	64,855	
Total	\$330,696	\$289,616	\$41,080

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$88,189	\$82,794	(\$5,395)
Special Revenue	142,558	146,326	3,768
Capital Projects	19,570		(19,570)
Total	\$250,317	\$229,120	(\$21,197)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,380	\$78,607	\$23,773
Special Revenue	162,589	130,125	32,464
Capital Projects	19,570		19,570
Total	\$284,539	\$208,732	\$75,807

4. COMPLIANCE

The Township had \$141,045 in outstanding purchase commitments, at December 31, 2000, that were not certified and as a result will be inappropriately charged against 2001 appropriations, which is contrary to Ohio Revised Code § 5705.41(D).

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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.

**PALMER TOWNSHIP
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

5. PROPERTY TAX (Continued)

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

6. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$30,956	0%

The Ohio Public Works Commission (OPWC) loan relates to various 1996 road projects. The OPWC approved a \$72,230 loan to the Township for the projects. The loan is to be repaid in semiannual installments of \$5,159.29.

Amortization of the above debt, is scheduled as follows:

Year Ending December 31:	General Obligation Notes
2001	\$10,319
2002	10,319
2003	10,318
Total	\$30,956

7. RETIREMENT SYSTEMS

Township personnel belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 10.84% for 2000 and 13.55% for 1999 of participants' gross salaries. The Township has paid all contributions required through December 31, 2000.

**PALMER TOWNSHIP
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

8. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Real and Personal Property;
- Automobile;
- Miscellaneous Property;
- Electronic Data Processing; and
- Liability.

The Township also provides health and life insurance to Township official and employee, and accidental insurance to the volunteer firemen through private carriers.

9. ISSUE II FUNDING AND OUTSTANDING CONTRACTS

Palmer Township has agreed to serve as fiscal agent for an Issue II project for Palmer, Greensburg, Monroe, Ottawa, and Perry Townships. As of December 31, 2000 the five Townships had entered into a contract for road repair in the amount of \$697,188. Palmer Township's portion of the project is \$141,045 of which \$64,855 will be paid with Issue II funds, the remainder amount will be charged to the following funds: Road District \$22,000, Road and Bridge \$18,000 and Gasoline Tax \$36,190. The portion applicable to the other Townships will be accounted for through an agency fund.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

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

Palmer Township
Putnam County
2277 Road 18
Continental, Ohio 45831-9561

To the Board of Trustees:

We have audited the accompanying financial statements of Palmer Township, Putnam County, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 8, 2001. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-40269-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 8, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted 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 8, 2001.

Palmer Township
Putnam County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

June 8, 2001

**PALMER TOWNSHIP
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-40269-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Trustees may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1000, the fiscal officer may authorize it to be paid without the affirmation of the Trustees, if such expenditure is otherwise valid.

As of December 31, 2000, the Township had \$141,045 in outstanding purchase commitments that were not certified, and as a result will be charged against fiscal year 2001 appropriations. The accompanying financial statements have been adjusted to reflect this amount as an outstanding encumbrance in the special revenue and capital project funds, as of December 31, 2000.

Certification is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Township funds being over expended or exceeding budgetary spending limitations as set by the Trustees. To improve controls over disbursements, we recommend that all Township disbursements receive prior certification of the Clerk and that the Trustees periodically review the expenditures made to ensure they are within the appropriations adopted by the Trustees, certified by the Clerk and recorded against appropriations.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

PALMER TOWNSHIP

PUTNAM 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
JUNE 28, 2001**