



**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 & 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

OLMSTED TOWNSHIP
CUYHOGA COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building
615 Superior Avenue, NW.
Twelfth Floor
Cleveland, Ohio 44113-1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Olmsted Township
Cuyahoga County
26900 Cook Road
Olmsted Township, Ohio 44138

To the Board of Trustees:

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 described in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Olmsted Township, Cuyahoga County, Ohio, as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 13, 2002

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

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

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Local Taxes | \$501,473 | \$1,609,815 | \$0 | \$2,111,288 |
| Intergovernmental | 1,588,648 | 457,133 | 0 | 2,045,781 |
| Special Assessments | 0 | 0 | 188 | 188 |
| Charges for Services | 0 | 7,893 | 0 | 7,893 |
| Licenses, Permits, and Fees | 83,307 | 17,899 | 0 | 101,206 |
| Fines, Forfeitures, and Penalties | 0 | 7,294 | 13,215 | 20,509 |
| Earnings on Investments | 91,133 | 1,766 | 0 | 92,899 |
| Other Revenue | 118,878 | 13,419 | 0 | 132,297 |
| | <u>2,383,439</u> | <u>2,115,219</u> | <u>13,403</u> | <u>4,512,061</u> |
| Total Cash Receipts | | | | |
| | <u>2,383,439</u> | <u>2,115,219</u> | <u>13,403</u> | <u>4,512,061</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 374,799 | 0 | 0 | 374,799 |
| Public Safety | 433,420 | 1,777,386 | 0 | 2,210,806 |
| Public Works | 813,251 | 99,661 | 0 | 912,912 |
| Health | 0 | 33,000 | 0 | 33,000 |
| Conservation - Recreation | 0 | 2,078 | 0 | 2,078 |
| Capital Outlay | 0 | 117,387 | 12,584 | 129,971 |
| | <u>1,621,470</u> | <u>2,029,512</u> | <u>12,584</u> | <u>3,663,566</u> |
| Total Cash Disbursements | | | | |
| | <u>1,621,470</u> | <u>2,029,512</u> | <u>12,584</u> | <u>3,663,566</u> |
| Total Receipts Over/(Under) Disbursements | <u>761,969</u> | <u>85,707</u> | <u>819</u> | <u>848,495</u> |
| Other Financing Receipts and (Disbursements): | | | | |
| Transfers-In | 0 | 161,446 | 0 | 161,446 |
| Advances-In | 0 | 550 | 0 | 550 |
| Transfers-Out | (161,446) | 0 | 0 | (161,446) |
| Advances-Out | (550) | 0 | 0 | (550) |
| | <u>(161,996)</u> | <u>161,996</u> | <u>0</u> | <u>0</u> |
| Total Other Financing Receipts/(Disbursements) | | | | |
| | <u>(161,996)</u> | <u>161,996</u> | <u>0</u> | <u>0</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 599,973 | 247,703 | 819 | 848,495 |
| Fund Cash Balances, January 1 | <u>987,320</u> | <u>625,963</u> | <u>5,910</u> | <u>1,619,193</u> |
| Fund Cash Balances, December 31 | <u>\$1,587,293</u> | <u>\$873,666</u> | <u>\$6,729</u> | <u>\$2,467,688</u> |
| Reserve for Encumbrances, December 31 | <u>\$106,033</u> | <u>\$192,890</u> | <u>\$0</u> | <u>\$298,923</u> |

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

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

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

| | Governmental Fund Types | | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|---------------------|--------------------------------|
| | General | Special Revenue | Capital Projects | |
| Cash Receipts: | | | | |
| Local Taxes | \$477,628 | \$1,206,608 | \$0 | \$1,684,236 |
| Intergovernmental | 1,758,845 | 321,301 | 0 | 2,080,146 |
| Special Assessments | 0 | 0 | 505 | 505 |
| Charges for Services | 0 | 10,053 | 0 | 10,053 |
| Licenses, Permits, and Fees | 69,990 | 7,500 | 0 | 77,490 |
| Fines, Forfeitures, and Penalties | 0 | 1,000 | 17,624 | 18,624 |
| Earnings on Investments | 92,131 | 2,992 | 0 | 95,123 |
| Other Revenue | 34,085 | 31,206 | 0 | 65,291 |
| | 2,432,679 | 1,580,660 | 18,129 | 4,031,468 |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 353,287 | 0 | 0 | 353,287 |
| Public Safety | 562,797 | 1,121,296 | 0 | 1,684,093 |
| Public Works | 833,490 | 181,495 | 0 | 1,014,985 |
| Health | 13,405 | 30,000 | 0 | 43,405 |
| Conservation - Recreation | 0 | 2,100 | 0 | 2,100 |
| Capital Outlay | 0 | 369,428 | 21,151 | 390,579 |
| | 1,762,979 | 1,704,319 | 21,151 | 3,488,449 |
| Total Receipts Over/(Under) Disbursements | 669,700 | (123,659) | (3,022) | 543,019 |
| Other Financing Receipts and (Disbursements): | | | | |
| Sale of Fixed Assets | 0 | 0 | 2,700 | 2,700 |
| Transfers-In | 20,300 | 292,643 | 0 | 312,943 |
| Advances-In | 3,500 | 3,500 | 0 | 7,000 |
| Transfers-Out | (292,643) | (20,300) | 0 | (312,943) |
| Advances-Out | (3,500) | (3,500) | 0 | (7,000) |
| | (272,343) | 272,343 | 2,700 | 2,700 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 397,357 | 148,684 | (322) | 545,719 |
| Fund Cash Balances, January 1 | 589,963 | 477,279 | 6,232 | 1,073,474 |
| Fund Cash Balances, December 31 | \$987,320 | \$625,963 | \$5,910 | \$1,619,193 |
| Reserve for Encumbrances, December 31 | \$34,643 | \$64,876 | \$0 | \$99,519 |

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

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Olmsted Township, Cuyahoga County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services including road maintenance, cemetery maintenance, police and fire protection, and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Repurchase agreements and certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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:

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Police Levy Fund - This fund is used to account for property tax revenue used to provide police protection services.

Fire Levy Fund - This fund is used to account for property tax revenue used to provide fire protection services.

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:

Capital Equipment Fund – This fund is used to account for purchases of equipment financed with general operating moneys designated by the Trustees.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | 2001 | 2000 |
|--------------------------------|-------------|-------------|
| Demand deposits | \$357,774 | \$335,220 |
| Certificates of deposit | 200,000 | 200,000 |
| Total deposits | 557,774 | 535,220 |
| STAR Ohio | 1,615,160 | 1,083,973 |
| Repurchase agreement | 294,754 | 0 |
| Total investments | 1,909,914 | 1,083,973 |
| Total deposits and investments | \$2,467,688 | \$1,619,193 |

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

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

| 2001 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,798,641 | \$2,383,439 | \$584,798 |
| Special Revenue | 2,201,164 | 2,276,665 | 75,501 |
| Capital Projects | 15,518 | 13,403 | (2,115) |
| Total | \$4,015,323 | \$4,673,507 | \$658,184 |

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|------------------|
| General | \$2,080,496 | \$1,888,949 | \$191,547 |
| Special Revenue | 2,397,091 | 2,222,402 | 174,689 |
| Capital Projects | 18,600 | 12,584 | 6,016 |
| Total | <u>\$4,496,187</u> | <u>\$4,123,935</u> | <u>\$372,252</u> |

2000 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|------------------|
| General | \$2,001,815 | \$2,452,979 | \$451,164 |
| Special Revenue | 1,743,345 | 1,873,303 | 129,958 |
| Capital Projects | 25,471 | 20,829 | (4,642) |
| Total | <u>\$3,770,631</u> | <u>\$4,347,111</u> | <u>\$576,480</u> |

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|------------------|
| General | \$2,251,143 | \$2,090,265 | \$160,878 |
| Special Revenue | 1,998,231 | 1,789,495 | 208,736 |
| Capital Projects | 25,700 | 21,151 | 4,549 |
| Total | <u>\$4,275,074</u> | <u>\$3,900,911</u> | <u>\$374,163</u> |

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property with 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.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

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

5. CAPITAL LEASE

Fire Truck and Ambulance Lease outstanding at December 31, 2001 was as follows:

| | Principal | Interest Rate |
|--------------------------------|-----------|---------------|
| Fire Truck and Ambulance Lease | \$112,419 | 7.1% |
| Total | \$112,419 | |

In 1996, the Township acquired a new fire truck and an ambulance for the Fire Department. The purchase was financed by a lease agreement with an option to purchase. The total of the lease is \$560,301 with a maturity date of August 8, 2003.

Amortization of the above debt, including interest, is scheduled as follows:

| | Fire Truck and Ambulance Lease |
|--------------------------|--------------------------------------|
| Year ending December 31: | |
| 2002 | 62,256 |
| 2003 | 62,256 |
| Total | \$124,512 |

6. RETIREMENT SYSTEMS

The Township's full time law enforcement officers and certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide 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 2001 and 2000, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 19.5% of covered payroll for full time law enforcement officers and 24% of covered payroll for certified Fire Fighters to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

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.

**OLMSTED TOWNSHIP
CUYAHOGA COUNTY**

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

7. RISK MANAGEMENT (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will insure.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, the Travelers Indemnity Company provides coverage in excess of \$10,000.

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

Financial Position

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

| <u>Property Coverage</u> | <u>2001</u> | <u>2000</u> |
|--------------------------|---------------------|---------------------|
| Assets | \$5,011,131 | \$4,156,784 |
| Liabilities | 647,667 | 497,831 |
| Retained earnings | <u>\$4,363,464</u> | <u>\$3,658,953</u> |
| | | |
| <u>Casualty Coverage</u> | <u>2001</u> | <u>2000</u> |
| Assets | \$23,703,776 | \$22,684,383 |
| Liabilities | 9,379,003 | 8,924,977 |
| Retained earnings | <u>\$14,324,773</u> | <u>\$13,759,406</u> |



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

Lausche Building
615 Superior Avenue, NW.
Twelfth Floor
Cleveland, Ohio 44113-1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

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

Olmsted Township
Cuyahoga County
26900 Cook Road
Olmsted Township, Ohio 44138

To the Board of Trustees:

We have audited the financial statements of Olmsted Township, Cuyahoga County, Ohio (the Township) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated September 13, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated September 13, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated September 13, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

September 13, 2002



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

OLMSTED TOWNSHIP

CUYAHOGA 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
OCTOBER 1, 2002**