



**Auditor of State
Betty Montgomery**

THOMPSON TOWNSHIP
GEAUGA COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Board of Trustees
Thompson Township
Geauga County
P.O. Box 204
Thompson, Ohio 44086

We have audited the accompanying financial statements of Thompson Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 of Thompson Township, Geauga County, Ohio, as of December 31, 2003 and December 31, 2002, 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 March 12, 2004 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.

Thompson Township
Geauga County
Independent Accountants' Report
Page 2

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 12, 2004

**THOMPSON TOWNSHIP
GEAUGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$58,948	\$318,712	\$0	\$0	\$377,660
Intergovernmental	62,868	101,940	0	0	164,808
Special Assessments	0	0	37,116	907	38,023
Licenses, Permits, and Fees	10,130	2,325	0	0	12,455
Fines, Forfeitures, and Penalties	2,179	0	0	0	2,179
Earnings on Investments	3,929	351	0	0	4,280
Other Revenue	11,389	11,762	0	0	23,151
Total Cash Receipts	149,443	435,090	37,116	907	622,556
Cash Disbursements:					
Current:					
General Government	95,037	0	0	0	95,037
Public Safety	22,644	133,485	0	0	156,129
Public Works	3,335	180,752	0	999	185,086
Health	13,135	7,957	0	0	21,092
Conservation - Recreation	5,778	0	0	0	5,778
Debt Service:					
Redemption of Principal	0	30,470	26,823	0	57,293
Interest and Fiscal Charges	0	565	10,267	0	10,832
Capital Outlay	150,860	63,177	0	0	214,037
Total Cash Disbursements	290,789	416,406	37,090	999	745,284
Total Receipts Over/(Under) Disbursements	(141,346)	18,684	26	(92)	(122,728)
Excess of Cash Receipts Over/(Under) Cash Disbursements	(141,346)	18,684	26	(92)	(122,728)
Fund Cash Balances, January 1, 2003	252,907	194,829	4,730	320	452,786
Fund Cash Balances, December 31, 2003	\$111,561	\$213,513	\$4,756	\$228	\$330,058

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

**THOMPSON TOWNSHIP
GEAUGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$51,163	\$256,940	\$0	\$0	\$308,103
Intergovernmental	63,907	92,472	0	0	156,379
Special Assessments	0	0	36,838	839	37,677
Licenses, Permits, and Fees	5,019	2,500	0	0	7,519
Fines, Forfeitures, and Penalties	1,814	0	0	0	1,814
Earnings on Investments	5,857	524	0	0	6,381
Other Revenue	1,584	14,287	0	0	15,871
	<u>129,344</u>	<u>366,723</u>	<u>36,838</u>	<u>839</u>	<u>533,744</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	95,737	0	0	0	95,737
Public Safety	8,527	107,814	0	0	116,341
Public Works	5,480	143,041	0	803	149,324
Health	3,892	3,917	0	0	7,809
Conservation - Recreation	5,848	0	0	0	5,848
Debt Service:					
Redemption of Principal	0	29,766	25,413	0	55,179
Interest and Fiscal Charges	0	1,270	11,678	0	12,948
Capital Outlay	13,274	13,769	0	0	27,043
	<u>132,758</u>	<u>299,577</u>	<u>37,091</u>	<u>803</u>	<u>470,229</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>(3,414)</u>	<u>67,146</u>	<u>(253)</u>	<u>36</u>	<u>63,515</u>
Other Financing Receipts and (Disbursements):					
Transfers-In	0	4,000	0	0	4,000
Transfers-Out	(4,000)	0	0	0	(4,000)
	<u>(4,000)</u>	<u>4,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,414)	71,146	(253)	36	63,515
Fund Cash Balances, January 1, 2002	260,321	123,683	4,983	284	389,271
Fund Cash Balances, December 31, 2002	<u>\$252,907</u>	<u>\$194,829</u>	<u>\$4,730</u>	<u>\$320</u>	<u>\$452,786</u>

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

**THOMPSON TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Thompson Township, Geauga 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 road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services, and police protection 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 included in fund cash balances. 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.

The Township invested in an overnight Sweep Account for the fiscal year 2002 and until March 2003. The Township has no investments at December 31, 2003. All funds are held in a business checking account.

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.

**THOMPSON TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money to construct, maintain and repair Township roads and bridges.

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

Police District Fund – This fund receives property tax money to provide police protection to the Township residents.

Fire District Fund - This fund receives property tax money to provide fire protection to the Township residents.

Brick Memory Walk – This fund receives proceeds from the sale of bricks for a memory walkway. Any proceeds will be used for gazebo refurbishing or to refurbish the town hall.

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. This fund receives property tax money for the retirement of note debt.

4. Capital Projects Fund

This fund is 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 Capital Projects Fund:

Dewey Road Fund – The Township received Issue II money from the State of Ohio for repairs to Dewey Road.

**THOMPSON TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 canceled, and reappropriated in the subsequent year.

A summary of 2003 and 2002 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. 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.

**THOMPSON TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investment 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:

	2003	2002
Demand deposits	\$330,058	\$640
Sweep account	0	452,146
Total Deposits and Investments	\$330,058	\$452,786

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

Investments: The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$130,996	\$149,443	\$18,447
Special Revenue	397,224	435,090	37,866
Debt Service	36,500	37,116	616
Capital Projects	220,850	907	(219,943)
Total	\$785,570	\$622,556	(\$163,014)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$332,950	\$290,789	\$42,161
Special Revenue	555,100	416,406	138,694
Debt Service	38,141	37,090	1,051
Capital Projects	221,000	999	220,001
Total	\$1,147,191	\$745,284	\$401,907

**THOMPSON TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$130,873	\$129,344	(\$1,529)
Special Revenue	348,436	370,723	22,287
Debt Service	36,500	36,838	338
Capital Projects	850	839	(11)
Total	\$516,659	\$537,744	\$21,085

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$357,800	\$136,758	\$221,042
Special Revenue	453,900	299,577	154,323
Debt Service	38,141	37,091	1,050
Capital Projects	850	803	47
Total	\$850,691	\$474,229	\$376,462

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Note - 1998 & 2001	\$140,886	0%
Road Improvement Bonds - 1998	158,170	5.55%
Total	\$299,056	

**THOMPSON TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	Principal	Interest	Total Payment
2004	\$49,763	\$8,778	\$58,541
2005	51,335	7,207	58,542
2006	52,993	5,549	58,542
2007	52,244	3,798	56,042
2008	51,592	1,950	53,542
2009 – 2011	41,129	0	41,129
Total	<u>\$299,056</u>	<u>\$27,282</u>	<u>\$326,338</u>

6. RETIREMENT SYSTEMS

Employees belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS 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 2003 and 2002, OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty insurance 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 Insurance

OTARMA retains casualty risks up to \$250,000 per claim. 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, from the General Reinsurance Corporation.

**THOMPSON TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

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 claim 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 reported the following assets, liabilities and retained earnings at December 31:

Note below is the latest information available:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	<u>9,187,512</u>	<u>9,379,003</u>
Retained Earnings	<u>\$14,569,524</u>	<u>\$14,324,773</u>
<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	<u>1,204,326</u>	<u>647,667</u>
Retained Earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

The Township also provides health insurance coverage to full-time employees and elected officials through Geauga County Commissioner's insurance carrier.

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**Auditor of State
Betty Montgomery**

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

Board of Trustees
Thompson Township
Geauga County
P.O. Box 204
Thompson, Ohio 44086

We have audited the financial statements of Thompson Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated March 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

We also noted an immaterial instance of noncompliance that we have reported to the management of the Township in a separate letter dated March 12, 2004.

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.

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 March 12, 2004.

Thompson Township
Geauga County
Independent Accountants' Report 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 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 12, 2004



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

THOMPSON TOWNSHIP

GEAUGA 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
APRIL 20, 2004**