



**INDEPENDENCE TOWNSHIP
WASHINGTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**INDEPENDENCE TOWNSHIP
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REPORT OF INDEPENDENT ACCOUNTANTS

Independence Township
Washington County
Route 3, Box 260
New Matamoras, Ohio 45767

To the Board of Trustees:

We have audited the accompanying financial statements of Independence Township, Washington County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. 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 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Independence Township, Washington County, as of December 31, 1999 and 1998, 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 9, 2000 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.

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.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 9, 2000

**INDEPENDENCE TOWNSHIP
 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>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$1,869	\$7,018	\$	\$8,887
Intergovernmental	32,899	119,563	12,000	164,462
Payment in Lieu of Taxes	576			576
Earnings on Investments	1,403	1,176		2,579
Other Revenue	13			13
	<u>36,760</u>	<u>127,757</u>	<u>12,000</u>	<u>176,517</u>
Total Cash Receipts				
	<u>36,760</u>	<u>127,757</u>	<u>12,000</u>	<u>176,517</u>
Cash Disbursements:				
Current:				
General Government	25,422			25,422
Public Safety	2,100			2,100
Public Works		97,882		97,882
Health	4,116	40		4,156
Debt Service:				
Redemption of Principal			9,000	9,000
Interest and Fiscal Charges			1,876	1,876
Capital Outlay		57,719		57,719
	<u>31,638</u>	<u>155,641</u>	<u>10,876</u>	<u>198,155</u>
Total Cash Disbursements				
	<u>31,638</u>	<u>155,641</u>	<u>10,876</u>	<u>198,155</u>
Total Receipts Over/(Under) Disbursements	<u>5,122</u>	<u>(27,884)</u>	<u>1,124</u>	<u>(21,638)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In	2,670			2,670
Transfers-Out		(2,670)		(2,670)
	<u>2,670</u>	<u>(2,670)</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)				
	<u>2,670</u>	<u>(2,670)</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>7,792</u>	<u>(30,554)</u>	<u>1,124</u>	<u>(21,638)</u>
Fund Cash Balances, January 1	<u>10,711</u>	<u>100,465</u>	<u>11,027</u>	<u>122,203</u>
Fund Cash Balances, December 31	<u><u>\$18,503</u></u>	<u><u>\$69,911</u></u>	<u><u>\$12,151</u></u>	<u><u>\$100,565</u></u>

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

**INDEPENDENCE TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$1,644	\$6,345	\$	\$7,989
Intergovernmental	31,235	216,423	12,000	259,658
Payment in Lieu of Taxes	595			595
Earnings on Investments	1,152	1,104		2,256
Other Revenue	702	1,600		2,302
	<u>35,328</u>	<u>225,472</u>	<u>12,000</u>	<u>272,800</u>
Total Cash Receipts				
	<u>35,328</u>	<u>225,472</u>	<u>12,000</u>	<u>272,800</u>
Cash Disbursements:				
Current:				
General Government	27,386			27,386
Public Safety	2,100			2,100
Public Works	4,191	166,844		171,035
Health		40		40
Debt Service:				
Redemption of Principal			9,000	9,000
Interest and Fiscal Charges			2,700	2,700
Capital Outlay		408		408
	<u>33,677</u>	<u>167,292</u>	<u>11,700</u>	<u>212,669</u>
Total Cash Disbursements				
	<u>33,677</u>	<u>167,292</u>	<u>11,700</u>	<u>212,669</u>
Total Receipts Over/(Under) Disbursements	<u>1,651</u>	<u>58,180</u>	<u>300</u>	<u>60,131</u>
Fund Cash Balances, January 1	<u>9,060</u>	<u>42,285</u>	<u>10,727</u>	<u>62,072</u>
Fund Cash Balances, December 31	<u>\$10,711</u>	<u>\$100,465</u>	<u>\$11,027</u>	<u>\$122,203</u>

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

**INDEPENDENCE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Independence Township, Washington 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 and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Little Muskingum and the Newport Volunteer Fire Departments to provide fire 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.

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

C. 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 constructing, maintaining and repairing Township roads.

Permissive Sales Tax Fund - The Township receives permissive sales tax from Washington County to maintain and repair various Township roads and culverts.

U.S. Department of Agriculture - National Resource Conservation Service (USDA-NRCS) Project Fund - The Township received a federal grant for repair of various road slips.

Federal Emergency Management Agency (FEMA) Fund - The Township received a federal grant through the State of Ohio for repair of various flood damages.

**INDEPENDENCE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

Note Retirement Fund - This fund receives gasoline tax money for the principal and interest payments of an outstanding security agreement for a John Deere backhoe.

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not use the encumbrance method of accounting.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

E. 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.

F. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities 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:

**INDEPENDENCE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

2. EQUITY IN POOLED CASH (Continued)

	<u>1999</u>	<u>1998</u>
Demand deposits	<u>\$100,565</u>	<u>\$122,203</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation and collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,235	\$39,430	\$1,195
Special Revenue	242,124	127,757	(114,367)
Debt Service	<u>12,000</u>	<u>12,000</u>	<u>0</u>
Total	<u>\$292,359</u>	<u>\$179,187</u>	<u>(\$113,172)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$48,946	\$31,638	\$17,308
Special Revenue	381,922	158,311	223,611
Debt Service	<u>23,027</u>	<u>10,876</u>	<u>12,151</u>
Total	<u>\$453,895</u>	<u>\$200,825</u>	<u>\$253,070</u>

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,756	\$35,328	(\$2,428)
Special Revenue	367,770	225,472	(142,298)
Debt Service	<u>12,000</u>	<u>12,000</u>	<u>0</u>
Total	<u>\$417,526</u>	<u>\$272,800</u>	<u>(\$144,726)</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$45,121	\$33,677	\$11,444
Special Revenue	189,106	167,292	21,814
Debt Service	<u>22,727</u>	<u>11,700</u>	<u>11,027</u>
Total	<u>\$256,954</u>	<u>\$212,669</u>	<u>\$44,285</u>

**INDEPENDENCE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

During 1998, the Township made expenditures in excess of appropriations in violation of Section 5705.41(B) of the Ohio Revised Code. During the audit period, the Township also made expenditures without obtaining the Clerk's prior certification of the availability of funds in violation of Section 5705.41(D) of the Ohio Revised Code.

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.

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, 1999 was as follows:

	Principal	Interest Rate
Security Agreement Loan	\$27,000	6%

The security agreement loan were issued to finance the purchase of a new John Deere backhoe to be used for Township road maintenance. The security agreement loan is secured by the backhoe.

Amortization of the above debt, including interest of \$3,240, is scheduled as follows:

Year ending December 31:	Security Agreement Loan
2000	\$10,620
2001	10,080
2002	9,540
Total	\$30,240

6. RETIREMENT SYSTEMS

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

**INDEPENDENCE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The Township also provides health insurance to its officials and full-time employee through a private carrier.

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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

Independence Township
Washington County
Route 3, Box 260
New Matamoras, Ohio 45767

To the Board of Trustees:

We have audited the accompanying financial statements of Independence Township, Washington County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 9, 2000. We conducted our audit 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-41084-001 and 1999-41084-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated June 9, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Township in a separate letter dated June 9, 2000.

Independence Township
Washington 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 the 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", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 9, 2000

**INDEPENDENCE TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

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

FINDING NUMBER 1999-41084-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- B. Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The Township did not obtain the Clerk's prior certification for 83 percent of the transactions we tested, nor was there evidence of a "Then and Now" certificate being used by the Clerk.

We recommend the Township obtain the Clerk's prior certification of the availability of funds for all disbursements.

FINDING NUMBER 1999-41084-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

For 1998, the following funds had expenditures which exceeded appropriations:

Special Revenue Funds:
 FEMA Fund -
 Public Works \$12,080

 USDA-NRCS Fund -
 Public Works \$63,600

Township management should monitor available appropriations and should deny payments that exceed appropriations. If available resources exist to make the payment, management should request the Board of Trustees to consider amending appropriations.



STATE OF OHIO
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INDEPENDENCE TOWNSHIP

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 29, 2000