



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

ALLEN TOWNSHIP
UNION COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Allen Township
Union County
20201 State Route 245
Marysville, Ohio 43040

To the Board of Trustees:

We have audited the accompanying financial statements of Allen Township, Union 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 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 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 the Township 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 May 28, 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".

JIM PETRO
Auditor of State

May 28, 2002

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**ALLEN TOWNSHIP
UNION 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	\$217,770	\$698,693	\$0	\$916,463
Intergovernmental	108,620	71,701	0	180,321
Charges for Services	0	161,543	0	161,543
Licenses, Permits, and Fees	7,392	0	0	7,392
Fines, Forfeitures, and Penalties	5,532	0	0	5,532
Earnings on Investments	18,204	9,003	8,054	35,261
Other Revenue	24,881	6,089	0	30,970
Total Cash Receipts	<u>382,399</u>	<u>947,029</u>	<u>8,054</u>	<u>1,337,482</u>
Cash Disbursements:				
Current:				
General Government	179,692	7,362	0	187,054
Public Safety	10,559	877,020	0	887,579
Public Works	72,919	96,968	0	169,887
Conservation - Recreation	10,810	0	0	10,810
Capital Outlay	26,639	44,782	0	71,421
Total Cash Disbursements	<u>300,619</u>	<u>1,026,132</u>	<u>0</u>	<u>1,326,751</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>81,780</u>	<u>(79,103)</u>	<u>8,054</u>	<u>10,731</u>
Other Financing Receipts/(Disbursements):				
Transfers-In	0	50,000	0	50,000
Transfers-Out	(50,000)	0	0	(50,000)
Total Other Financing Receipts/(Disbursements)	<u>(50,000)</u>	<u>50,000</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>31,780</u>	<u>(29,103)</u>	<u>8,054</u>	<u>10,731</u>
Fund Cash Balances, January 1	<u>252,787</u>	<u>502,091</u>	<u>107,343</u>	<u>862,221</u>
Fund Cash Balances, December 31	<u><u>\$284,567</u></u>	<u><u>\$472,988</u></u>	<u><u>\$115,397</u></u>	<u><u>\$872,952</u></u>

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

**ALLEN TOWNSHIP
UNION 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**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$213,452	\$688,467	\$0	\$901,919
Intergovernmental	57,066	71,388	0	128,454
Charges for Services	0	128,745	0	128,745
Licenses, Permits, and Fees	3,018	0	0	3,018
Fines, Forfeitures, and Penalties	6,358	0	0	6,358
Earnings on Investments	23,210	11,757	7,343	42,310
Other Revenue	6,922	40,574	0	47,496
Total Cash Receipts	<u>310,026</u>	<u>940,931</u>	<u>7,343</u>	<u>1,258,300</u>
Cash Disbursements:				
Current:				
General Government	168,980	9,897	0	178,877
Public Safety	8,933	733,542	0	742,475
Public Works	80,055	2,432	0	82,487
Health	0	0	0	0
Human Services	0	0	0	0
Conservation - Recreation	49,035	0	0	49,035
Miscellaneous	0	0	0	0
Capital Outlay	0	273,968	0	273,968
Total Cash Disbursements	<u>307,003</u>	<u>1,019,839</u>	<u>0</u>	<u>1,326,842</u>
Total Receipts Over/(Under) Disbursements	<u>3,023</u>	<u>(78,908)</u>	<u>7,343</u>	<u>(68,542)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In	0		100,000	100,000
Transfers-Out	0	(100,000)	0	(100,000)
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>(100,000)</u>	<u>100,000</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>3,023</u>	<u>(178,908)</u>	<u>107,343</u>	<u>(68,542)</u>
Fund Cash Balances, January 1	<u>249,764</u>	<u>680,999</u>	<u>0</u>	<u>930,763</u>
Fund Cash Balances, December 31	<u>\$252,787</u>	<u>\$502,091</u>	<u>\$107,343</u>	<u>\$862,221</u>

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

**ALLEN TOWNSHIP
UNION COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Allen Township, Union 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, 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.

Certificates of deposit are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

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 construct, maintain and repair Township roads.

ALLEN TOWNSHIP
UNION 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)**

Fire Fund - This fund receives property tax money levied for the purpose of providing fire protection services to the Township.

3. **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 significant capital project fund:

Fire Equipment Fund- This fund is used to accumulate resources for the purchase of fire equipment.

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 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 properly encumber all commitments as required by Ohio law.

A summary of 2001 and 2000 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.

**ALLEN TOWNSHIP
UNION COUNTY**

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

	2001	2000
Demand deposits	\$738,468	\$239,276
Certificates of deposit	95,784	418,030
Total deposits	834,252	657,306
STAR Ohio	38,700	204,915
Total investments	38,700	204,915
Total deposits and investments	\$872,952	\$862,221

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

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

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$268,182	\$382,399	\$114,217
Special Revenue	929,736	997,029	67,293
Capital Projects	53,000	8,054	(44,946)
Total	\$1,250,918	\$1,387,482	\$136,564

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$401,326	\$350,619	\$50,707
Special Revenue	1,099,300	1,026,132	73,168
Capital Projects	0	0	0
Total	\$1,500,626	\$1,376,751	\$123,875

**ALLEN TOWNSHIP
UNION COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$278,392	\$310,026	\$31,634
Special Revenue	905,565	940,931	35,366
Capital Projects	100,000	107,343	7,343
Total	\$1,283,957	\$1,358,300	\$74,343

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$391,750	\$307,003	\$84,747
Special Revenue	1,470,653	1,119,839	350,814
Capital Projects	0	0	0
Total	\$1,862,403	\$1,426,842	\$435,561

4. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principle</u>	<u>Interest Rate</u>
Emergency Medical Vehicle Capital Lease	\$ 37,810	5.89%

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

Year Ending December 31:	Emergency Vehicle Lease Purchase
2002	\$22,896
2003	17,172
Total	\$40,068

**ALLEN TOWNSHIP
UNION COUNTY**

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

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.

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. RETIREMENT SYSTEMS

Township elected 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, 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 has obtained commercial insurance for the following risks:

- General liability
- Public official's liability
- Commercial property
- Vehicles

The Township also provides health insurance to full-time employees through a private carrier.

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

Allen Township
Union County
20201 State Route 245
Marysville, Ohio 43040

To the Board of Trustees:

We have audited the accompanying financial statements of Allen Township, Union 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 May 28, 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 audit 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 2001-40680-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated May 28, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-40680-002 and 2001-40680-003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2001-40680-002 to be a material weakness. We also 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 May 28, 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.



JIM PETRO
Auditor of State

May 28, 2002

ALLEN TOWNSHIP
UNION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

Finding Number	2001-40680-001
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Certification of Expenditures

Ohio Rev. Code Section 5705.41(D) states 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 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 encumbrances. The amount so certified shall be recorded against the applicable appropriation account.

The section also provides an exception to the above requirement:

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 contract or order and at the time of the certificate, appropriated and free from any previous encumbrances, the Township may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within thirty days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees.

The Township did not issue purchase orders until after an invoice was received. Therefore, 100% of the disbursements for 2001 and 2000 were not certified by the Clerk prior to the commitment being incurred nor were they certified using a then and now certificate. 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 Board.

**ALLEN TOWNSHIP
UNION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

Finding Number	2001-40680-002
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Third Party Administrator SAS 70 Report

The Township has delegated emergency medical billing processing, which is a significant accounting function, to a third-party administrator. This administrator is responsible for calculating, preparing, and mailing the bills on behalf of the Township. The Township, however, has not established procedures to reasonably determine that emergency medical billings have been completely and accurately processed.

We recommend that the Township implement procedures to reasonably assure the completeness and accuracy of emergency medical billings processed by its third-party administrator. Statement on Auditing Standards No. 70 prescribes standards for reporting on the processing (e.g. control design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70, should provide the Township with an appropriate level of assurance that emergency medical run billings are being processed correctly. We recommend the Township specify in their contract with the third-party administrator that an annual Tier II SAS 70 audit report be performed. The Township should be provided a copy of the SAS 70 report timely and should review the report's content. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide the Township with a Tier II SAS 70 report, we recommend the Township only contract with a third-party administrator that will provide such a report.

Finding Number	2001-40680-003
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Board Monitoring

The Board of Trustees did not effectively monitor the Township's financial reporting process. Certain financial reports were presented to the Board for review (e.g. bank reconciliations, profit/loss statements). However, the lack of effective monitoring by the Board led to the Township being unreconciled with significant discrepancies between accounting ledgers and reports due to continual prior and current year adjustments being made to the accounting ledgers by the Clerk. Also, the Board performed no monitoring of budgeted versus actual receipts or disbursements during the audit period.

Monitoring comprises regular management and supervisory activities established to oversee whether management's financial objectives are being achieved. Monitoring controls generally pertain to the analysis of reports produced by the accounting system. Data from such reports may indirectly provide assurance as to the reliability of financial reporting information if it conforms with the users' expectations.

We recommend on a monthly basis the Board monitor budgeted versus actual revenue and budgeted versus actual expenditures to identify unusual or inconsistent fluctuations in the District's financial activity. We also recommend bank reconciliations and monthly fund balance reports from the accounting system be provided to the Trustees to ensure the Township is reconciled. Furthermore, a listing of monthly bills should be presented for Board approval prior to the payment of such bills each month.



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ALLEN TOWNSHIP

UNION 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 25, 2002**