



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**AMERICAN TOWNSHIP
ALLEN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

American Township
Allen County
102 Pioneer Road
Elida, OH 45807

To the Board of Trustees:

We have audited the accompanying financial statements of American Township (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 accounting principles generally accepted in the United States of America.

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 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 June 24, 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, and contracts. 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 the audit committee, management, the Board 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 24, 2002

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**AMERICAN TOWNSHIP
ALLEN 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>	
Cash Receipts:			
Local Taxes	\$84,154	\$1,905,002	\$1,989,156
Intergovernmental	470,288	276,628	746,916
Special Assessments		2,406	2,406
Licenses, Permits, and Fees	158,890	9,799	168,689
Fines, Forfeitures, and Penalties	3,128	250	3,378
Earnings on Investments	34,687	687	35,374
Other Revenue	13,209	8,400	21,609
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	764,356	2,203,172	2,967,528
Cash Disbursements:			
Current:			
General Government	385,036		385,036
Public Safety	104,600	1,722,694	1,827,294
Public Works	106,591	190,590	297,181
Health	52,573	2,185	54,758
Debt Service:			
Redemption of Principal	57,731	149,086	206,817
Interest and Fiscal Charges	2,880	25,914	28,794
Capital Outlay	35,283	285,098	320,381
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	744,694	2,375,567	3,120,261
Total Receipts Over/(Under) Disbursements	19,662	(172,395)	(152,733)
Fund Cash Balances, January 1	436,591	662,363	1,098,954
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$456,253</u>	<u>\$489,968</u>	<u>\$946,221</u>
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	<u>\$1,958</u>	<u>\$13,924</u>	<u>\$15,882</u>

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

**AMERICAN TOWNSHIP
ALLEN 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	\$83,375	\$1,879,828		\$1,963,203
Intergovernmental	385,944	282,490	97,021	765,455
Special Assessments		1,434		1,434
Licenses, Permits, and Fees	145,571	12,252		157,823
Fines, Forfeitures, and Penalties	4,507	410		4,917
Earnings on Investments	34,698	765		35,463
Other Revenue	9,079	8,800		17,879
	<u>663,174</u>	<u>2,185,979</u>	<u>97,021</u>	<u>2,946,174</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	361,388			361,388
Public Safety	117,024	1,722,513		1,839,537
Public Works	74,115	284,541		358,656
Health	54,068	1,441		55,509
Debt Service:				
Redemption of Principal	60,000			60,000
Interest and Fiscal Charges	5,066			5,066
Capital Outlay	35,205	585,480	97,021	717,706
	<u>706,866</u>	<u>2,593,975</u>	<u>97,021</u>	<u>3,397,862</u>
Total Cash Disbursements				
Total Receipts (Under) Disbursements	<u>(43,692)</u>	<u>(407,996)</u>		<u>(451,688)</u>
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes		700,000		700,000
Sale of Fixed Assets	16,680			16,680
	<u>16,680</u>	<u>700,000</u>		<u>716,680</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(27,012)	292,004		264,992
Fund Cash Balances, January 1	<u>463,603</u>	<u>370,359</u>		<u>833,962</u>
Fund Cash Balances, December 31	<u>\$436,591</u>	<u>\$662,363</u>	<u>\$0</u>	<u>\$1,098,954</u>
Reserve for Encumbrances, December 31	<u>\$4,692</u>	<u>\$268,685</u>	<u>\$0</u>	<u>\$273,377</u>

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

**AMERICAN TOWNSHIP
ALLEN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

American Township, Allen 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 road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Elida Fire Company, Inc. to provide fire services and ambulance 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.

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:

Fire District Fund - This fund receives property tax money for obtaining fire protection for the Township and maintaining hydrants.

**AMERICAN TOWNSHIP
ALLEN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Emergency Medical Fund - This fund receives property tax money for obtaining emergency medical protection for the Township.

3. Capital Project Funds

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

Issue II Fund - The Township received a grant from the State of Ohio for resurfacing township roads during 2000.

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. 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. The Township did not encumber all commitments 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.

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.

**AMERICAN TOWNSHIP
ALLEN 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 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	\$546,221	\$664,545
Certificates of deposit	400,000	434,409
Total deposits	946,221	1,098,954

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) 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	\$545,775	\$764,356	\$218,581
Special Revenue	2,224,450	2,203,172	(21,278)
Total	\$2,770,225	\$2,967,528	\$197,303

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$982,366	\$746,652	\$235,714
Special Revenue	2,854,633	2,389,491	465,142
Total	\$3,836,999	\$3,136,143	\$700,856

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$521,150	\$679,854	\$158,704
Special Revenue	3,012,470	2,885,979	(126,491)
Capital Projects	0	97,021	97,021
Total	\$3,533,620	\$3,662,854	\$129,234

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$984,753	\$711,558	\$273,195
Special Revenue	3,382,829	2,862,660	520,169
Capital Projects	0	97,021	(97,021)
Total	\$4,367,582	\$3,671,239	\$696,343

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Ohio Public Works Commission fund by \$97,021 for the year ended December 31, 2000.

**AMERICAN TOWNSHIP
ALLEN COUNTY**

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

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, 2001 was as follows:

	Principal	Interest Rate
Promissory Note - The Commercial Bank	\$550,914	5.05%
Total	\$550,914	

The note was issued in September, 2000 to finance the remodeling of and addition to the Fire Station.

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

	Promissory Note
Year ending December 31:	
2001	\$175,000
2002	175,000
2003	175,000
2004	175,000
2005	91,083
Total	\$791,083

6. RETIREMENT SYSTEMS

The Township's 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 wages. The Township contributed an amount equal to 13.55% of PERS participants' gross salaries through June 30, 2000 and for 2001. For the period commencing July 1, 2000 to December 31, 2000, PERS temporarily reduced employer contributions to 8.13%. The Township has paid all contributions required through December 31, 2001.

**AMERICAN TOWNSHIP
ALLEN COUNTY**

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

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

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

American Township
Allen County
102 Pioneer Road
Elida, OH 45807

To the Board of Trustees:

We have audited the accompanying financial statements of American Township (the Township) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated June 24, 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, and contracts, 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 items 2001-40202-001 to 2001-40202-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 24, 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 24, 2002.

This report is intended for the information and use of the audit committee, 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 long horizontal stroke extending to the right.

Jim Petro
Auditor of State

June 24, 2002

**AMERICAN TOWNSHIP
ALLEN 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 2001-40202-001

Finding Repaid Under Audit

Ohio Rev. Code Section 505.60(A) states as provided in this section and section 505.601 of the Revised Code, the board of township trustees of any township may procure and pay all or any part of the cost of insurance policies that may provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance for township officers and employees. There is no provision in the Revised Code to allow the township to pay for co-insurance or deductible amounts associated with insurance.

On May 8, 2000, the Trustees agreed to change from a \$100 deductible health insurance plan to a \$200 deductible plan and reimburse the employees for the additional \$100. On May 29, 2001, Scott Holmes was reimbursed \$100 for the health insurance deductible.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Scott Holmes, township employee in the amount of \$100 in favor of the General Fund.

The finding was repaid to the Township on July 15, 2002.

FINDING NUMBER 2001-40202-002

Finding Repaid Under Audit

Ohio Rev. Code Section 505.60(A) states as provided in this section and Section 505.601 of the Revised Code, the board of township trustees of any township may procure and pay all or any part of the cost of insurance policies that may provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance for township officers and employees. There is no provision in the Revised Code to allow the township to pay for co-insurance or deductible amounts associated with insurance.

On May 8, 2000, the Trustees agreed to change from a \$100 deductible health insurance plan to a \$200 deductible plan and reimburse the employees for the additional \$100. On May 29, 2001, Mark Bowers was reimbursed \$200 for the health insurance deductible and \$243 for co-insurance.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Mark Bowers, township employee in the amount of \$443 in favor of the General Fund.

The finding was repaid to the Township on July 15, 2002.

FINDING NUMBER 2001-40202-003

Ohio Rev. Code Section 505.37(D) states that the board of township trustees of any township may purchase the necessary buildings and issue securities for that purpose with maximum maturities as provided in section 133.20 of the Revised Code. The board of township trustees may also construct any buildings necessary to house fire-fighting equipment and issue securities for that purpose with maximum maturities as provided in section 133.20 of the Revised Code. The board of township trustees may issue the securities of the township, signed by the board and attested by the signature of the township covering any deferred payments and payable at the times provided, which securities shall bear interest not to exceed the rate determined as provided in section 9.95 of the Revised Code, and shall not be subject to Chapter 133 of the Revised Code. The legislation authorizing the issuance of the securities shall provide for levying and collecting annually by taxation, amounts sufficient to pay the interest on and principal of the securities. The securities shall be offered for sale on the open market or given to the vendor or contractor if no sale is made.

The Township entered into a commercial signature loan agreement for \$700,000 with a local financial institution in 2000 for the remodeling of the Elida Fire Station rather than issue securities as provided.

The Township should consult with their legal advisor and bond counsel prior to the issuance of any debt issue.

FINDING NUMBER 2001-40202-004

Ohio Rev. Code Section 5705.41(B) states that no subdivision is to expend money unless it has been appropriated.

The expenditures exceeded the appropriations in the OPWC Fund by \$97,021 during fiscal year 2000. The township received Issue II monies during 2000, however, the monies were not included in the budget.

The Township should make certain that the Issue II monies spent on the township's behalf are included in the appropriations.

FINDING NUMBER 2001-40202-005

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certificate should be considered null and void. If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

23 % of transactions tested were not properly certified during the audit period. These transactions were in the amount of \$30,957 or 23.51% of the value of expenditures tested.

The Township should review Ohio Rev. Code Section 5705.41(D) and implement procedures for certification of funds.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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AMERICAN TOWNSHIP

ALLEN 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 6, 2002**