



**Auditor of State
Betty Montgomery**

ATWATER TOWNSHIP
PORTAGE COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

REPORT OF INDEPENDENT ACCOUNTANTS

Atwater Township
Portage County
869 Stroup Road
P.O. Box 9
Atwater, Ohio 44201

To the Board of Trustees:

We have audited the accompanying financial statements of Atwater Township (the Township) as of and for the years ended December 31, 2002 and 2001. 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 and reserves for encumbrances of the Township as of December 31, 2002 and 2001, 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 2, 2003 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.

Atwater Township
Portage County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 2, 2003

**ATWATER TOWNSHIP
PORTAGE 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$67,696	\$157,420	\$225,116
Intergovernmental	82,323	83,197	165,520
Special Assessments		4,503	4,503
Charges for Services		11,636	11,636
Fines, Forfeitures, and Penalties		16,816	16,816
Earnings on Investments	2,465	285	2,750
Other Revenue	17,231	40,021	57,252
	<u>169,715</u>	<u>313,878</u>	<u>483,593</u>
Total Cash Receipts	<u>169,715</u>	<u>313,878</u>	<u>483,593</u>
Cash Disbursements:			
Current:			
General Government	422,959	227,984	650,943
Public Safety	1,866	51,012	52,878
Public Works	64	103,058	103,122
Health	2,070	1,569	3,639
Debt Service:			
Redemption of Principal		51,794	51,794
Interest and Fiscal Charges		9,309	9,309
Capital Outlay	4,394	6,927	11,321
	<u>431,353</u>	<u>451,653</u>	<u>883,006</u>
Total Cash Disbursements	<u>431,353</u>	<u>451,653</u>	<u>883,006</u>
Total Receipts (Under) Disbursements	<u>(261,638)</u>	<u>(137,775)</u>	<u>(399,413)</u>
Other Financing Receipts and (Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes	175,000		175,000
Transfers-In		4,654	4,654
Transfers-Out	(4,654)		(4,654)
	<u>170,346</u>	<u>4,654</u>	<u>175,000</u>
Total Other Financing Receipts/(Disbursements)	<u>170,346</u>	<u>4,654</u>	<u>175,000</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(91,292)	(133,121)	(224,413)
Fund Cash Balances, January 1	<u>135,365</u>	<u>391,306</u>	<u>526,671</u>
Fund Cash Balances, December 31	<u><u>\$44,073</u></u>	<u><u>\$258,185</u></u>	<u><u>\$302,258</u></u>
Reserve for Encumbrances, December 31	<u>\$215</u>	<u>\$23</u>	<u>\$238</u>

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

**ATWATER TOWNSHIP
PORTAGE 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>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$70,366	\$149,998		\$220,364
Intergovernmental	170,670	74,593	\$102,844	348,107
Special Assessments		9,030		9,030
Charges for Services		10,725		10,725
Fines, Forfeitures, and Penalties		9,047		9,047
Earnings on Investments	4,039	493		4,532
Other Revenue	15,779	17,076		32,855
	<u>260,854</u>	<u>270,962</u>	<u>102,844</u>	<u>634,660</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	161,377	42,397		203,774
Public Safety	460	56,765		57,225
Public Works	3,303	196,299		199,602
Health	5,997	4,763		10,760
Debt Service:				
Redemption of Principal		20,000		20,000
Interest and Fiscal Charges		3,601		3,601
Capital Outlay	34,408	71,489	102,844	208,741
	<u>205,545</u>	<u>395,314</u>	<u>102,844</u>	<u>703,703</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>55,309</u>	<u>(124,352)</u>	<u>0</u>	<u>(69,043)</u>
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes		165,400		165,400
Transfers-In		35,000		35,000
Transfers-Out	(35,000)			(35,000)
Other Sources		118		118
	<u>(35,000)</u>	<u>200,518</u>	<u>0</u>	<u>165,518</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	<u>20,309</u>	<u>76,166</u>	<u>0</u>	<u>96,475</u>
Fund Cash Balances, January 1	<u>115,056</u>	<u>315,140</u>	<u>0</u>	<u>430,196</u>
Fund Cash Balances, December 31	<u><u>\$135,365</u></u>	<u><u>\$391,306</u></u>	<u><u>\$0</u></u>	<u><u>\$526,671</u></u>

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

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Atwater Township, Portage 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 Portage County Sheriff's Department to provide security of persons and property.

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

The Township does not hold any investments. They maintain an interest bearing checking account as the only means of interest income.

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:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Department and Ambulance Funds – These funds receive property tax money for the general operation of the fire/EMT Departments.

Gasoline Tax Fund – This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant capital project fund:

Issue II Fund - The Township received a grant from the State of Ohio to repair/reconstruct roads.

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 2002 and 2001 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.

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$302,258	\$526,671

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, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$167,071	\$344,715	\$177,644
Special Revenue	261,073	318,532	57,459
Total	\$428,144	\$663,247	\$235,103

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$302,435	\$436,222	(\$133,787)
Special Revenue	652,378	451,676	200,702
Total	\$954,813	\$887,898	\$66,915

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$160,031	\$260,854	\$100,823
Special Revenue	292,480	471,480	179,000
Capital Projects	102,844	102,844	0
Total	\$555,355	\$835,178	\$279,823

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$275,085	\$240,545	\$34,540
Special Revenue	572,619	395,314	177,305
Capital Projects	102,844	102,844	0
Total	\$950,548	\$738,703	\$211,845

The Township was in violation of Ohio Rev. Code 5705.41(D) for not encumbering funds before a purchase commitment was made, and Ohio Rev. Code 5705.41(B), because the 2002 general fund expenditures exceeded appropriations by \$133,787. These are reported as findings 2002-41167-001 and 2002-41167-002.

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, 2002 was as follows:

	Principal	Interest Rate
Truck	\$31,332	6.25%
Fire Station Addition	\$124,050	4.25%
Townhall	175,000	6.44%
Total	\$330,382	

The truck note was issued to finance the purchase of a 1 ton truck to be used for road maintenance. The fire station note was issued to expand the existing fire station, and the town hall note was used to build a completely new town hall. This debt is back by the full faith of the Township.

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

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

	Truck	Fire Station Addition	Townhall
Year ending December 31:			
2003	\$12,402	\$46,759	\$27,125
2004	11,750	44,956	26,162
2005	11,097	43,153	25,200
2006			24,238
2007			23,275
2008 – 2012			101,937
Total	<u>\$35,249</u>	<u>\$134,868</u>	<u>\$227,937</u>

6. RETIREMENT SYSTEMS

All Township employees participate in the Public Employees Retirement System (PERS).

PERS is a cost-sharing, multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement benefits including post-retirement health care, and supervisor and disability benefits in participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2002, 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 2002. The Township has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Insurance

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

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.

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT (Continued)

Property Coverage

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

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

Financial Position

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

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



**Auditor of State
Betty Montgomery**

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

Atwater Township
Portage County
869 Stroup Road
P.O. Box 9
Atwater, Ohio 44201

To the Board of Trustees:

We have audited the accompanying financial statements of Atwater Township (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 2, 2003. 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 two instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-41167-001 and 2002-41167-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 2, 2003.

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 May 2, 2003.

Atwater Township
Portage County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

May 2, 2003

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

Finding Number	2002-41167-001
-----------------------	-----------------------

Ohio Revised Code, Section 5705.41(D), provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides for two exceptions to the above requirement:

1. Then and Now Certificates – 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 of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate.
2. If the amount involved is less than one thousand dollars (\$1,000), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

In 33 of the 60 vouchers tested, the Township did not certify the availability of funds prior to a purchase commitment.

We recommend that the Township issues purchase orders before making a purchase commitment, and they use Then and Now Certificates if an expenditure is entered into before a purchase order is issued.

Finding Number	2002-41167-002
-----------------------	-----------------------

Ohio Revised Section 5705.41(B) Prohibits a subdivision from making expenditure unless it has been properly appropriated.

Expenditures exceeded appropriations by \$133,787 in the 2002 general fund, because expenditures were made on a new town hall, but not appropriated. The following chart shows this violation:

2002 General Fund		
Appropriations	Budgetary Expenditures	Variance
\$302,435	\$436,222	\$(133,787)

The Township should establish procedures to limit budgetary expenditures to appropriations. The Township may request the Board of Trustees to approve increased expenditure level by increasing appropriations and amending estimated resources, if necessary.



**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

ATWATER TOWNSHIP

PORTAGE 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 12, 2003**