



**Auditor of State
Betty Montgomery**

**AMERICAN TOWNSHIP
ALLEN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002.....	4
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	15

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

American Township
Allen County
102 Pioneer Road
Elida, Ohio 45807

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

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

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of American Township, Allen County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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American Township
Allen County
Independent Accountants' Report
Page 3

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and other officials authorized to receive this report under Section 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

April 15, 2004

**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, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$93,784	\$2,002,443	\$2,096,227
Intergovernmental	461,012	328,798	789,810
Special Assessments		1,723	1,723
Licenses, Permits, and Fees	159,754	11,277	171,031
Fines, Forfeitures, and Penalties	2,696	260	2,956
Earnings on Investments	12,379	432	12,811
Other Revenue	19,431	8,000	27,431
	<u>749,056</u>	<u>2,352,933</u>	<u>3,101,989</u>
Total Cash Receipts			
	<u>749,056</u>	<u>2,352,933</u>	<u>3,101,989</u>
Cash Disbursements:			
Current:			
General Government	425,734		425,734
Public Safety	124,600	1,740,866	1,865,466
Public Works	76,662	222,164	298,826
Health	55,896	18,110	74,006
Debt Service:			
Redemption of Principal		170,000	170,000
Interest and Fiscal Charges		20,348	20,348
Capital Outlay	57,056	15,500	72,556
	<u>739,948</u>	<u>2,186,988</u>	<u>2,926,936</u>
Total Cash Disbursements			
	<u>739,948</u>	<u>2,186,988</u>	<u>2,926,936</u>
Total Receipts Over Disbursements	9,108	165,945	175,053
Other Financing Receipts:			
Sale of Fixed Assets	3,300		3,300
	<u>3,300</u>		<u>3,300</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	12,408	165,945	178,353
Fund Cash Balances, January 1	<u>457,378</u>	<u>593,569</u>	<u>1,050,947</u>
Fund Cash Balances, December 31	<u>\$469,786</u>	<u>\$759,514</u>	<u>\$1,229,300</u>
Reserve for Encumbrances, December 31	<u>\$4,870</u>	<u>\$525</u>	<u>\$5,395</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, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$88,267	\$2,081,533		\$2,169,800
Intergovernmental	415,050	196,939	94,098	706,087
Special Assessments		1,268		1,268
Licenses, Permits, and Fees	170,221	11,544		181,765
Fines, Forfeitures, and Penalties	2,858	325		3,183
Earnings on Investments	19,263	790		20,053
Other Revenue	40,598	6,107		46,705
	<u>736,257</u>	<u>2,298,506</u>	<u>94,098</u>	<u>3,128,861</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	433,009			433,009
Public Safety	106,993	1,809,919		1,916,912
Public Works	113,025	192,942		305,967
Health	55,000	7,006		62,006
Debt Service:				
Redemption of Principal		147,179		147,179
Interest and Fiscal Charges		27,821		27,821
Capital Outlay	27,105	10,038	94,098	131,241
	<u>735,132</u>	<u>2,194,905</u>	<u>94,098</u>	<u>3,024,135</u>
Total Cash Disbursements				
Total Receipts Over Disbursements	1,125	103,601		104,726
Fund Cash Balances, January 1	456,253	489,968	0	946,221
Fund Cash Balances, December 31	<u>\$457,378</u>	<u>\$593,569</u>	<u>\$0</u>	<u>\$1,050,947</u>
Reserve for Encumbrances, December 31	<u>\$23,238</u>	<u>\$4,850</u>		<u>\$28,088</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, 2003 AND 2002
(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 funds:

Issue II Fund - The Township received a grant from the State of Ohio for resurfacing township roads during 2002.

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 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

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

**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:

	2003	2002
Demand deposits	\$829,300	\$650,947
Certificates of deposit	400,000	400,000
Total deposits	\$1,229,300	\$1,050,947

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$588,140	\$752,356	\$164,216
Special Revenue	2,299,950	2,352,933	52,983
Total	\$2,888,090	\$3,105,289	\$217,199

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,281,900	\$744,818	\$537,082
Special Revenue	2,925,600	2,187,513	738,087
Total	\$4,207,500	\$2,932,331	\$1,275,169

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$587,950	\$736,257	\$148,307
Special Revenue	2,267,910	2,298,506	30,596
Capital Projects	130,858	94,098	(36,760)
Total	\$2,986,718	\$3,128,861	\$142,143

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,042,245	\$758,370	\$283,875
Special Revenue	2,683,204	2,199,755	483,449
Capital Projects	130,858	94,098	36,760
Total	\$3,856,307	\$3,052,223	\$804,084

Contrary to Ohio Revised Code, appropriations exceeded estimated resources in the General Fund by \$239,465 and the Fire District Fund by \$76,893 during 2003.

**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, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Promissory Note - The Commercial Bank	<u>\$233,735</u>	5.05%

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

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

	<u>Promissory Note</u>
Year ending December 31: 2004	<u>\$245,422</u>

6. RETIREMENT SYSTEMS

The Township employees and elected officials belong to the Public Employees Retirement system of Ohio (PERS). PERS is a state operated, cost-sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

Contribution rates are prescribed by the Ohio Revised Code. The Township's PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

**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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Auditor of State Betty Montgomery

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

American Township
Allen County
102 Pioneer Road
Elida, Ohio 45807

To the Board of Trustees:

We have audited the financial statements of American Township (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 15, 2004 wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* consider this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and as requested operates UAN. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 to 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 15, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. 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 April 15, 2004.

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American Township
Allen County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

Betty Montgomery
Auditor of State

April 15, 2004

**AMERICAN TOWNSHIP
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-001

Finding For Recovery - Repaid Under Audit

Ohio Rev. Code Section 505.60 (A) states 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. Section 505.60 outlines the provision of group coverage and allowable reimbursements should an officer or employee be denied coverage or elect not to participate in the group health care plan.

The Township passed an insurance resolution in December 2002 stating they would pay for medical, dental, life, and cancer insurance premiums for elected officials, maintenance workers, the zoning inspector, and the secretary. During 2003, William Horvath, Trustee, declined the group health care plan offered by the Township and received reimbursement for his wife's insurance through her employer. The reimbursement was for health care for \$59.35, dental service for \$11.35, and vision service for \$7.25 bi-weekly. However, the Township's December 2002 resolution did not cover vision service for the covered officials and employees. Mr. Horvath was reimbursed for vision service for twenty-two biweekly payments for a total of \$159.50.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public money illegally expended is hereby issued against William Horvath, Township Trustee, and the Municipal Insurance Alliance Agency of Ohio, his bonding company, jointly and severally, in the amount of \$159.50 in favor of the General Fund.

Mr. Horvath repaid the \$159.50 to American Township on May 11, 2004.

FINDING NUMBER 2003-002

Ohio Rev. Code Section 5705.39 states total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

During 2003, certificates from the county auditor were not filed and appropriations exceeded estimated resources in the General Fund by \$239,465 and the Fire District Fund by \$76,893.

The Township should not approve appropriations to exceed estimated resources so overspending does not occur in a particular fund.

FINDING NUMBER 2003-003

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 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 (\$3,000 after April 7, 2003), the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

Thirteen percent of transactions tested were not properly certified by the fiscal officer during the audit period.

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

**AMERICAN TOWNSHIP
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 and 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-001 and 002	ORC Section 505.60(A) and 505.601 – Improper insurance payments	Yes	Findings for recovery repaid
2001-003	ORC 505.37 (D) – Improper debt agreement	Yes	
2001-004	ORC 5705.41(B) – Expenditures exceeded appropriations	Yes	
2001-005	ORC 5707.41 (D) – Failure to properly certify fund prior to expenditures	No	See finding 2003-003



**Auditor of State
Betty Montgomery**

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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
MAY 27, 2004**