



Mary Taylor, CPA
Auditor of State

ATWATER TOWNSHIP
PORTAGE COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

July 1, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Atwater Township, Portage County, (the Township) as of and for the years ended December 31, 2009 and 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 processes its financial transactions with 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 audit 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Atwater Township, Portage County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2010, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

July 1, 2010

**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, 2009**

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$97,689	\$269,544	\$0	\$367,234
Charges for Services	0	49,255	0	49,255
Licenses, Permits, and Fees	39,837	9,689	0	49,525
Intergovernmental	84,289	125,431	0	209,720
Special Assessments	0	2,485	0	2,485
Earnings on Investments	1,004	0	0	1,004
Miscellaneous	4,134	12,259	0	16,393
Total Cash Receipts	226,953	468,663	0	695,615
Cash Disbursements:				
Current:				
General Government	141,008	6,513	0	147,521
Public Safety	0	139,149	0	139,149
Public Works	0	189,417	0	189,417
Health	0	17,210	0	17,210
Capital Outlay	128	243,692	69,635	313,456
Debt Service:				
Redemption of Principal	17,500	91,359	0	108,859
Interest and Other Fiscal Charges	3,748	13,020	0	16,768
Total Cash Disbursements	162,384	700,361	69,635	932,381
Total Receipts Over/(Under) Disbursements	64,569	(231,699)	(69,635)	(236,765)
Other Financing Receipts/(Disbursements):				
Other Debt Proceeds	0	65,000	0	65,000
Other Financing Sources	4	0	0	4
Other Financing Uses	(1,572)	0	0	(1,572)
Total Other Financing Receipts/(Disbursements)	(1,568)	65,000	0	63,432
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	63,001	(166,699)	(69,635)	(173,333)
Fund Cash Balance, January 1	70,927	564,708	0	635,635
Fund Cash Balance, December 31	\$133,928	\$398,009	(\$69,635)	\$462,302

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, 2008**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$93,207	\$259,298	\$352,505
Charges for Services	0	40,908	40,908
Licenses, Permits, and Fees	19,984	13,627	33,610
Intergovernmental	99,022	129,191	228,213
Special Assessments	0	1,907	1,907
Earnings on Investments	5,714	3,822	9,536
Miscellaneous	5,410	5,841	11,251
Total Cash Receipts	223,337	454,594	677,931
Cash Disbursements:			
Current:			
General Government	176,688	8,353	185,040
Public Safety	937	112,470	113,407
Public Works	0	194,733	194,733
Health	0	3,148	3,148
Capital Outlay	0	130,804	130,804
Debt Service:			
Redemption of Principal	17,500	0	17,500
Interest and Other Fiscal Charges	4,820	0	4,820
Total Cash Disbursements	199,945	449,508	649,453
Total Receipts Over Disbursements	23,392	5,087	28,479
Other Financing Receipts/(Disbursements):			
Transfers-In	0	3,438	3,438
Transfers-Out	(3,438)	0	(3,438)
Other Financing Sources	84	0	84
Other Financing Uses	(1,500)	0	(1,500)
Total Other Financing Receipts/(Disbursements)	(4,854)	3,438	(1,416)
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements And Other Financing Disbursements	18,538	8,525	27,063
Fund Cash Balance, January 1 (Restated - See Note 2)	52,389	556,183	608,573
Fund Cash Balance, December 31	\$70,927	\$564,708	\$635,635

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

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Atwater Township, Portage County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, 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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Deposits 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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.

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

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fire District Fund - This fund receives property tax money for the general operation of the Fire/EMT departments.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had one capital project fund to account for the local match expenditures required by the Issue II grant agreement.

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.

A summary of 2009 and 2008 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2009	2008
Demand Deposits	\$462,302	\$635,635

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

3. PRIOR PERIOD RESTATEMENT

The Township had several checks that were voided and reissued in the following year. This had an effect on reconciling the 2007 audited ending fund balances to the Township's 2008 beginning fund balances.

2008	General Fund	Special Revenue Fund
Fund Cash Balances, December 31, 2007 (Before Adjustments)	51,634	555,332
Adjustments made by Township	755	851
Fund Cash Balances, January 1, 2008	52,389	556,183

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$243,081	\$226,953	(\$16,128)
Special Revenue	983,900	533,663	(450,237)
Capital Projects	0	0	0
Total	\$1,226,981	\$760,616	(\$466,365)

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$203,323	\$163,956	\$39,367
Special Revenue	964,961	700,361	264,600
Capital Projects	70,000	69,635	365
Total	\$1,238,284	\$933,952	\$304,332

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. BUDGETARY ACTIVITY – (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$232,758	\$223,421	(\$9,337)
Special Revenue	979,579	458,033	(521,546)
Total	\$1,212,337	\$681,454	(\$530,883)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$232,758	\$204,883	\$27,875
Special Revenue	979,579	449,508	530,071
Total	\$1,212,337	\$654,391	\$557,946

Contrary to Ohio law, the Township did not always encumber funds at the time of commitment and had a negative fund balance in the OPWC Fund at 12/31/09.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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. DEBT

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Town Hall	53,034	6.44%
Ambulance	54,522	5.75%
Fire Pumper Truck	112,432	5.13%
Dump Truck	50,834	4.49%
Total	\$270,822	

The Town Hall note was issued to build a completely new town hall. The Township entered into three separate lease agreements to obtain a new ambulance, a new fire pumper truck and a new dump truck. This debt is backed by full faith of the Township.

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. DEBT – (Continued)

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

Year ending December 31:	Town Hall	Ambulance	Fire Pumper Truck	Dump Truck
2010	\$20,160	\$29,634	\$60,579	14,166
2011	19,095	29,634	60,579	14,166
2012	18,568			14,166
2013				14,167
Total	\$57,823	\$59,268	\$121,158	\$56,665

7. RETIREMENT SYSTEMS

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

8. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

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

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. RISK MANAGEMENT – (Continued)

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2009 and 2008, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$10,223.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2008	\$11,888
2009	\$11,500

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the financial statements of Atwater Township, Portage County (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 1, 2010 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2009-002 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We noted certain matters that we reported to the Township's management in a separate letter dated July 1, 2010.

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Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 and 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 1, 2010.

We intend this report solely for the information and use of management, the Township Board of Trustee, and others within the Township. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

July 1, 2010

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Rev. Code § 5705.41 (D), states no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal officer is attached. The fiscal officer must certify that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D) (1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

Amounts of less than \$100 for counties, or less than \$3,000 (\$1,000 prior to April 7, 2003) for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not always encumber funds at the time of the commitment. We noted 59 out of 81 (73%) expenditures tested where the Township did not always encumber funds at the time of the commitment.

**FINDING NUMBER 2009-001
 (Continued)**

Incurring obligations prior to the fiscal officer's certification could result in the Township spending more than appropriated.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification could be used but not misused.

FINDING NUMBER 2009-002

Significant Deficiency

Financial Statement Reporting

During the audit period we noted numerous mispostings to the accounting system for taxes, intergovernmental and debt proceeds revenue in addition to debt payments. These mispostings were as follows:

<u>2008</u>			
Fund Type	Line Item	Misposting	Correction
General Fund	Property and Other Taxes	\$ 16,339	
General Fund	Intergovernmental		\$ 16,339
General Fund	Miscellaneous Revenue	19,984	
General Fund	Licenses, Permits & Fees		19,984
General Fund	General Government	22,320	
General Fund	Debt Service		22,320
Special Revenue	Property and Other Taxes	35,917	
Special Revenue	Intergovernmental		35,917
Special Revenue	Capital Outlay	90,213	
Special Revenue	Debt Service		90,213
<u>2009</u>			
General Fund	Property and Other Taxes	33,370	
General Fund	Intergovernmental		35,272
General Fund	Miscellaneous	24,074	
General Fund	Licenses, Permits & Fees		22,172
General Fund	General Government	21,248	
General Fund	Debt Service		21,248
Debt Service	Property and Other Taxes	39,314	
Special Revenue	Property and Other Taxes		39,314
Special Revenue	Miscellaneous Revenue	65,000	
Special Revenue	Other Debt Proceeds		65,000
Special Revenue	Property and Other Taxes	19,317	
Special Revenue	Intergovernmental		19,317
Special Revenue	Miscellaneous Revenue	4,146	
Special Revenue	Intergovernmental		4,146
Special Revenue	Capital Outlay	97,963	
Special Revenue	Debt Service		97,963

**FINDING NUMBER 2009-002
(Continued)**

The 2009 reclass from the Debt Service fund type to the Special Revenue funds type of \$39,314 is a reclass to the financial statements only and not an adjustment to the Township's accounting system. The fiscal officer incorrectly posted these taxes revenue to the Debt fund type instead of the Special Revenue fund type. When the fiscal officer tried to correct the error, she incorrectly did it as fund balance adjustment rather than reversing the original entry and making the proper posting.

Receipts and expenditures should be posted to the proper account codes in accordance with the Township handbook and the UAN manual. These mispostings needed to be reclassified from one line item account to another within the same fund. The financial statements have been adjusted for these mispostings.

We recommend the fiscal officer utilize the Township Handbook and UAN manual, which lists a chart of accounts with detailed explanations of each account, to determine the most appropriate account code to post revenue and expenditures of the Township.

Implementation of this recommendation could avoid posting errors, stabilize the consistency of posting and avoid monies being budgeted and spent inappropriately.

FINDING NUMBER 2009-003

Negative Cash Balance - Material Noncompliance

Ohio Revised Code Section 5705.10 states that money paid into any fund shall be used only for the purpose for which the fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At the end of 2009, the Township's OPWC Fund had a deficit fund balance of \$69,635.

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds. Additionally, money spent for purposes other than specified in grant agreements could result in the loss of future grant awards. Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

We recommend the Township monitor disbursements to ensure overspending does not occur and to assure monies are being used for the purpose for which the funds were established.

Officials' Response to Findings: No written responses were provided by the Township.

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**ATWATER TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC Section 5705.41 (D) The Township did not always certify funds were available at the time of the commitment	NO	Repeat – See Finding No# 2009-001.



Mary Taylor, CPA
Auditor of State

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
AUGUST 19, 2010**