



**CHERRY VALLEY TOWNSHIP
ASHTABULA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Cherry Valley Township
Ashtabula County
4045 Russell Road
Dorset, Ohio 44032

To the Board of Trustees:

We have audited the accompanying financial statements of Cherry Valley Township, Ashtabula County, Ohio, (the Township) as of and for the years ended December 31, 1999 and December 31, 1998. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 1999 and 1998, 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 March 28, 2000 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.

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.

Jim Petro
Auditor of State

March 28, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$20,274	\$32,824			\$53,098
Intergovernmental	14,036	65,241		\$18,530	97,807
Licenses, Permits, and Fees	510	2,153			2,663
Earnings on Investments	775	537			1,312
Other Revenue	1,302	23,737			25,039
Total Cash Receipts	<u>36,897</u>	<u>124,492</u>		<u>18,530</u>	<u>179,919</u>
Cash Disbursements:					
Current:					
General Government	33,360				33,360
Public Safety		20,837			20,837
Public Works	154	102,123			102,277
Health	3,956	3,167			7,123
Conservation - Recreation	4,389				4,389
Debt Service:					
Redemption of Principal			4,750		4,750
Interest and Fiscal Charges			783		783
Capital Outlay	1,577	3,500		18,530	23,607
Total Cash Disbursements	<u>43,436</u>	<u>129,627</u>	<u>5,533</u>	<u>18,530</u>	<u>197,126</u>
Total Receipts Over/(Under) Disbursements	<u>(6,539)</u>	<u>(5,135)</u>	<u>(5,533)</u>	<u>0</u>	<u>(17,207)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		1,300	5,273		6,573
Transfers Out	(1,300)	(5,273)			(6,573)
Total Other Financing Receipts/(Disbursements)	<u>(1,300)</u>	<u>(3,973)</u>	<u>5,273</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(7,839)</u>	<u>(9,108)</u>	<u>(260)</u>	<u>0</u>	<u>(17,207)</u>
Fund Cash Balances, January 1	<u>20,566</u>	<u>35,917</u>	<u>5,548</u>	<u>0</u>	<u>62,031</u>
Fund Cash Balances, December 31	<u>\$12,727</u>	<u>\$26,809</u>	<u>\$5,288</u>	<u>\$0</u>	<u>\$44,824</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$19,285	\$31,243			\$50,528
Intergovernmental	17,290	62,773		6,120	86,183
Licenses, Permits, and Fees	1,170	1,021			2,191
Earnings on Investments	696	458			1,154
Other Revenue	1,218	7,313			8,531
Total Cash Receipts	<u>39,659</u>	<u>102,808</u>		<u>6,120</u>	<u>148,587</u>
Cash Disbursements:					
Current:					
General Government	27,998				27,998
Public Safety		20,851			20,851
Public Works	172	60,928			61,100
Health	3,590	3,090			6,680
Conservation - Recreation	774				774
Debt Service:					
Redemption of Principal			4,750		4,750
Interest and Fiscal Charges			965		965
Capital Outlay				6,120	6,120
Total Cash Disbursements	<u>32,534</u>	<u>84,869</u>	<u>5,715</u>	<u>6,120</u>	<u>129,238</u>
Total Receipts Over/(Under) Disbursements	<u>7,125</u>	<u>17,939</u>	<u>(5,715)</u>	<u>0</u>	<u>19,349</u>
Other Financing Receipts/(Disbursements):					
Transfers-In			5,440		5,440
Transfers-Out		(5,440)	0	0	(5,440)
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>(5,440)</u>	<u>5,440</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>7,125</u>	<u>12,499</u>	<u>(275)</u>	<u>0</u>	<u>19,349</u>
Fund Cash Balances, January 1	<u>13,441</u>	<u>23,405</u>	<u>5,823</u>		<u>42,669</u>
Fund Cash Balances, December 31	<u>\$20,566</u>	<u>\$35,904</u>	<u>\$5,548</u>	<u>\$0</u>	<u>\$62,018</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Cherry Valley Township, Ashtabula County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Andover Volunteer Fire Department and Pymatuning Ambulance Service to provide fire and ambulance services, respectively.

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 maintained a general operating (NOW) account and had no investments during the audit period.

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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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

Ambulance Levy Fund - This fund receives property tax money for maintaining/purchasing equipment and covering costs for providing emergency medical services.

Fire Levy Fund - This fund receives property tax money for maintaining/purchasing equipment and covering costs for providing emergency fire services.

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had a General Bond (Note) Retirement Fund which received money from the Gas Tax Fund to retire the debt associated with the purchase of a backhoe for use by the Township road department.

4. 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 grants from the State of Ohio for the Mill and Knapp Roads improvement projects.

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 function 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 re-appropriated in the subsequent year.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

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:

	<u>1999</u>	<u>1998</u>
Demand deposits	<u>\$44,824</u>	<u>\$62,018</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,897	\$36,897	\$0
Special Revenue	130,527	125,792	(4,735)
Debt Service	5,273	5,273	0
Capital Projects	18,530	18,530	0
Total	<u>\$191,227</u>	<u>\$186,492</u>	<u>(\$4,735)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$56,170	\$44,737	\$11,433
Special Revenue	157,799	134,900	22,899
Debt Service	10,813	5,533	5,280
Capital Projects	18,530	18,530	0
Total	<u>\$243,312</u>	<u>\$203,700</u>	<u>\$39,612</u>

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$29,134	\$39,659	\$10,525
Special Revenue	92,515	102,808	10,293
Debt Service	0	5,440	5,440
Capital Projects	6,972	6,120	(852)
Total	\$128,621	\$154,027	\$25,406

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$41,208	\$32,534	\$8,674
Special Revenue	107,710	90,309	17,401
Debt Service	5,820	5,715	105
Capital Projects	6,972	6,120	852
Total	\$161,710	\$134,678	\$27,032

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, 1999 was as follows:

	Principal	Interest Rate
General Obligation Notes	9,500	5.50%

The general obligation note was issued to finance the purchase of a backhoe to be used for Township road maintenance. The note is unsecured.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1999
(Continued)

5. DEBT (Continued)

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

Year ending December 31:	General Obligation Notes
2000	5,273
2001	5,011
Total	<u>\$10,284</u>

6. RETIREMENT SYSTEMS

The Township's 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 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

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

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

Cherry Valley Township
Ashtabula County
4045 Russell Road
Dorset, Ohio 44032

To the Board of Trustees:

We have audited the accompanying financial statements of Cherry Valley Township, Ashtabula County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 28, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that we have reported to the management of the Township in a separate letter dated March 28, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 March 28, 2000.

Cherry Valley Township Board of Trustees
Ashtabula County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended for the information and use of management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 28, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CHERRY VALLEY TOWNSHIP

ASHTABULA 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
APRIL 18, 2000**