



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

NORWALK TOWNSHIP
HURON COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Norwalk Township
Huron County
5054 State Route 601
Norwalk, Ohio 44857-9132

To the Board of Trustees:

We have audited the accompanying financial statements of Norwalk Township (the Township) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide 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 reserve for encumbrances of the Township as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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 audits.

This report is intended solely for the information and use of the management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end of the last name.

Jim Petro
Auditor of State

June 3, 2002

**NORWALK TOWNSHIP
HURON 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>	
Cash Receipts:			
Local Taxes	\$17,209	\$73,336	\$90,545
Intergovernmental	80,171	69,718	149,889
Licenses, Permits, and Fees	5,901		5,901
Earnings on Investments	27,972	18,900	46,872
	<u>131,253</u>	<u>161,954</u>	<u>293,207</u>
Total Cash Receipts			
	<u>131,253</u>	<u>161,954</u>	<u>293,207</u>
Cash Disbursements:			
Current:			
General Government	31,586	1,263	32,849
Public Safety	8,640	32,257	40,897
Public Works	15,522	189,172	204,694
Debt Service:			
Redemption of Principal		8,510	8,510
	<u>55,748</u>	<u>231,202</u>	<u>286,950</u>
Total Cash Disbursements			
	<u>55,748</u>	<u>231,202</u>	<u>286,950</u>
Total Receipts Over/(Under) Disbursements	<u>75,505</u>	<u>(69,248)</u>	<u>6,257</u>
Other Financing Receipts:			
Other Sources	3,423		3,423
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	78,928	(69,248)	9,680
Fund Cash Balances, January 1	<u>436,190</u>	<u>703,344</u>	<u>1,139,534</u>
Fund Cash Balances, December 31	<u><u>\$515,118</u></u>	<u><u>\$634,096</u></u>	<u><u>\$1,149,214</u></u>
Reserve for Encumbrances, December 31	<u><u>\$7,850</u></u>	<u><u>\$7,138</u></u>	<u><u>\$14,988</u></u>

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

**NORWALK TOWNSHIP
HURON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$14,657	\$51,530		\$66,187
Intergovernmental	140,138	100,812	\$85,100	326,050
Licenses, Permits, and Fees	7,883			7,883
Earnings on Investments	36,066	24,735		60,801
Total Cash Receipts	<u>198,744</u>	<u>177,077</u>	<u>85,100</u>	<u>460,921</u>
Cash Disbursements:				
Current:				
General Government	33,299	764		34,063
Public Safety	8,280	34,354		42,634
Public Works	11,267	258,246	85,100	354,613
Redemption of Principal		4,255		4,255
Total Cash Disbursements	<u>52,846</u>	<u>297,619</u>	<u>85,100</u>	<u>435,565</u>
Total Receipts Over/(Under) Disbursements	<u>145,898</u>	<u>(120,542)</u>		<u>25,356</u>
Other Financing Receipts:				
Sale of Fixed Assets	2,250			2,250
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>148,148</u>	<u>(120,542)</u>		<u>27,606</u>
Fund Cash Balances, January 1	<u>288,042</u>	<u>823,886</u>		<u>1,111,928</u>
Fund Cash Balances, December 31	<u>\$436,190</u>	<u>\$703,344</u>		<u>\$1,139,534</u>
Reserve for Encumbrances, December 31				

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

**NORWALK TOWNSHIP
HURON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Norwalk Township (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 and cemetery maintenance. The Township contracts with the City of Norwalk and Milan Township to provide fire protection services and North Central EMS provide 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 included in fund cash balances. 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:

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain and repair Township roads.

**NORWALK TOWNSHIP
HURON COUNTY**

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

Road and Bridge Fund - This fund had received property tax money to construct, maintain and repair Township roads and bridges. Although the tax levy expired during 1999, and was not renewed by the voters, the Township continues to maintain the fund to account for the disbursement of the unexpended balance.

Permissive Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money to pay for constructing, maintaining and repairing Township roads.

3. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following capital project fund during the fiscal year 2000:

Issue II Fund - The Township received a grant / interest free loan from the State of Ohio, Ohio Public Works Commission to repair a Township road. The Ohio Public Works Commission paid the vendor directly on behalf of the Township. The fund is used to report the memo only entries to the Township's records.

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.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**NORWALK TOWNSHIP
HURON 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 investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2001	2000
Demand deposits	\$749,214	\$139,534
Certificates of deposit	400,000	1,000,000
Total deposits and investments	\$1,149,214	\$1,139,534

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,475	\$134,676	\$77,201
Special Revenue	152,878	161,954	9,076
Total	\$210,353	\$296,630	\$86,277

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$400,000	\$63,598	\$336,402
Special Revenue	617,600	238,340	379,260
Total	\$1,017,600	\$301,938	\$715,662

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$54,458	\$200,994	\$146,536
Special Revenue	114,615	177,077	62,462
Capital Projects		85,100	85,100
Total	\$169,073	\$463,171	\$294,098

**NORWALK TOWNSHIP
HURON COUNTY**

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

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$342,500	\$52,846	\$289,654
Special Revenue	938,500	297,619	640,881
Capital Projects		85,100	(85,100)
Total	\$1,281,000	\$435,565	\$845,435

Expenditures in excess of appropriations and receipts in excess of projected revenues in fiscal year 2000 were due to the recording of on-behalf payments associated with an Ohio Public Works Commission road project within the Township during the year. These payments are made by the State of Ohio directly to the vendors completing the project and were not included in the Township's appropriations or budgeted receipts.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. DEBT

Debt outstanding at December 31, 2001 was as follows

	Principal	Interest Rate
General Obligation Note	\$72,335	Interest Free

The outstanding debt is an interest free loan from the Ohio Public Works Commission. The proceeds were used for a road reconstruction project completed during 2000. The original amount of the loan was \$85,100. The loan is to be paid off over a ten-year period, with semiannual payments of \$4,255 being due January 1 and July 1 each year, with the first payment due January 1, 2001. The Township paid the January 1, 2001 payment and the January 1, 2002 payments during December 2000 and December 2001 respectively.

**NORWALK TOWNSHIP
HURON COUNTY**

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

Amortization of the above debt is scheduled as follows:

Year ending December 31:	Ohio Public Works Commission Note
2002	\$4,255
2003	8,510
2004	8,510
2005	8,510
2006	8,510
2007 – 2010	34,040
Total	\$72,335

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. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated nonprofit association with more than 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

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

Norwalk Township
Huron County
5054 State Route 601
Norwalk, Ohio 44857-9132

To the Board of Trustees:

We have audited the accompanying financial statements of Norwalk Township (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 3, 2002. We conducted our audits 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 audits 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 a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated June 3, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 3, 2002.

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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

June 3, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Facsimile 614-466-4490

NORWALK TOWNSHIP

HURON 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
JULY 2, 2002**