



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

RILEY TOWNSHP
PUTNAM COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Riley Township
Putnam County
216 North Jefferson Street
P.O. Box 358
Pandora, Ohio 45877-0358

To the Board of Trustees:

We have audited the accompanying financial statements of Riley 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 audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 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 April 29, 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 audit.

Riley Township
Putnam County
Report of Independent Accountants
Page 2

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 § 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.

Jim Petro
Auditor of State

April 29, 2002

**RILEY TOWNSHIP
PUTNAM 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	\$23,327	\$37,062	\$60,389
Intergovernmental	35,893	67,835	103,728
Charges for Services	11,656		11,656
Earnings on Investments	1,657	688	2,345
Other Revenue	1,121	5,171	6,292
	<u>73,654</u>	<u>110,756</u>	<u>184,410</u>
Cash Disbursements:			
Current:			
General Government	52,456		52,456
Public Safety	8,877		8,877
Public Works		77,044	77,044
Health	7,391	447	7,838
Capital Outlay	10	4,447	4,457
	<u>68,734</u>	<u>81,938</u>	<u>150,672</u>
Total Receipts Over Disbursements	4,920	28,818	33,738
Fund Cash Balances, January 1	<u>81,820</u>	<u>64,398</u>	<u>146,218</u>
Fund Cash Balances, December 31	<u>\$86,740</u>	<u>\$93,216</u>	<u>\$179,956</u>
Reserve for Encumbrances, December 31	<u> </u>	<u> </u>	<u> </u>

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

**RILEY TOWNSHIP
PUTNAM 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$22,214	\$52,465	\$74,679
Intergovernmental	59,604	70,919	130,523
Charges for Services	14,569		14,569
Earnings on Investments	2,296	4,820	7,116
Other Revenue	545	5,773	6,318
	<u>99,228</u>	<u>133,977</u>	<u>233,205</u>
Cash Disbursements:			
Current:			
General Government	82,810		82,810
Public Safety	7,763		7,763
Public Works		158,535	158,535
Health	5,696	1,924	7,620
Debt Service:			
Redemption of Principal	5,176	17,324	22,500
Interest and Fiscal Charges		880	880
Capital Outlay	5,795	4,895	10,690
	<u>107,240</u>	<u>183,558</u>	<u>290,798</u>
Total Disbursements over Receipts	<u>(8,012)</u>	<u>(49,581)</u>	<u>(57,593)</u>
Other Financing Receipts			
Sale of Fixed Assets		3,600	3,600
Excess of Cash Disbursements over Cash Receipts and Other Financing Receipts	(8,012)	(45,981)	(53,993)
Fund Cash Balances, January 1	89,832	110,379	200,211
Fund Cash Balances, December 31	<u>\$81,820</u>	<u>\$64,398</u>	<u>\$146,218</u>
Reserve for Encumbrances, December 31		<u>\$14,097</u>	<u>\$14,097</u>

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

**RILEY TOWNSHIP
PUTNAM COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Riley Township, Putnam 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, and fire protection.

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.

The Township had no investments in 2001 or 2000.

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.

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

**RILEY TOWNSHIP
PUTNAM COUNTY**

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

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 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 canceled, and reappropriated in the subsequent year. The budgetary presentations have been adjusted to include material items that should have been encumbered.

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.

2. EQUITY IN POOLED CASH

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

	<u>2001</u>	<u>2000</u>
Demand deposits	<u>\$179,956</u>	<u>\$146,218</u>

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township.

Although all deposits were appropriately protected at year end, deposits were uninsured and uncollateralized at various times throughout the audit period in amounts ranging from \$3,086 to \$48,060.

**RILEY TOWNSHIP
PUTNAM COUNTY**

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

3. BUDGETARY ACTIVITY

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

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,531	\$73,654	(\$3,877)
Special Revenue	113,818	110,756	(3,062)
Total	\$191,349	\$184,410	(\$6,939)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$159,351	\$68,734	\$90,617
Special Revenue	178,216	81,938	96,278
Total	\$337,567	\$150,672	\$186,895

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$88,113	\$99,228	\$11,115
Special Revenue	132,162	137,577	5,415
Capital Projects	19,000		(19,000)
Total	\$239,275	\$236,805	(\$2,470)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$177,945	\$107,240	\$70,705
Special Revenue	242,215	197,655	44,560
Capital Projects	19,000		19,000
Total	\$439,160	\$304,895	\$134,265

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.

**RILEY TOWNSHIP
PUTNAM COUNTY**

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

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. RETIREMENT SYSTEMS

The Township's elected officials and part-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. These plans provide 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.

6. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Coverage

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

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**RILEY TOWNSHIP
PUTNAM COUNTY**

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

Property Coverage

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

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

Financial Position

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

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

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

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

Riley Township
Putnam County
216 North Jefferson Street
P.O. Box 358
Pandora, Ohio 45877-0358

To the Board of Trustees:

We have audited the accompanying financial statements of Riley Township (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 29, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2001-40269-001, 2001-40269-002 and 2001-40269-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 29, 2002.

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 29, 2002.

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

This report is intended solely for the information and use of 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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

April 29, 2002

**RILEY TOWNSHP
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-40269-001

Finding for Recovery

Ohio Revised Code § 505.60(A) allows the board of township trustees of any township to procure health insurance for township officers and employees. In addition, Ohio Revised Code § 505.602 allows the township to provide group life insurance coverage to a maximum coverage of \$50,000. On December 18, 1997, the Township passed a resolution to provide health insurance coverage for all Township officials, at a maximum cost to the Township of \$3,000 per individual per year and to pay premiums to provide \$10,000 in life insurance coverage. For 2000 and 2001 the Township paid for coverage in excess of the \$3,000 limit and paid premiums for life insurance coverage in excess of the \$10,000 limit, resulting in the following overpayments:

	Mark Kinsinger, Trustee	William Schroeder, Trustee
Health Insurance payments in excess of the \$3,000 maximum:		
2000	\$120.47	
Premiums for life insurance in excess of the \$10,000 coverage limit:		
2000	103.25	384.00
2001	328.85	384.00
Total overpayments	\$552.57	\$768.00

Ohio Revised Code § 117.28 states that when an audit report sets forth that any public money has been illegally expended, the Township's legal counsel may institute civil action to recover the money illegally expended.

Based on the forgoing facts a finding for recovery is hereby returned against Mark Kinsinger, Trustee and the Kemper National Insurance Company, his surety, jointly and severally, in the amount of \$552.57 in favor of the Township Treasury and William Schroeder, Trustee and the Kemper National Insurance Company, his surety, jointly and severally, in the amount of \$768 in favor of the Township Treasury.

FINDING NUMBER 2001-40269-002

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose.

During 2000 and 2001 the Township reimbursed Trustee Albert Amstutz \$158.50 for expenses incurred by the Trustees' spouses at township conventions.

Ohio Revised Code § 117.28 states that when an audit report sets forth that any public money has been illegally expended, the Township's legal counsel may institute civil action to recover the money illegally expended.

Based on the forgoing facts a finding for recovery is hereby returned against Albert Amstutz, Trustee and the Ohio Township Risk Management Authority, his surety, jointly and severally, in the amount of \$158.50 in favor of the Township treasury.

FINDING NUMBER 2001-40269-003

Noncompliance Citation

Ohio Revised Code Section § 135.18 states the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

Although all deposits were appropriately protected at year end, deposits were uninsured and uncollateralized at various times throughout the audit period in amounts ranging from \$3,086 to \$48,060. We recommend the Township monitor collateral, provided by the bank, to ensure it is sufficient to protect the Township's deposits and to request additional securities prior to depositing funds in excess of the coverage provided or deposit a portion of the Township's cash assets in a different financial institution.

RILEY TOWNSHP
PUTNAM COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-40269-001	ORC §135.18, deposits not secured.	No	An attempt was made to correct this problem, but not until the end of our audit period, as a result this finding has been repeated in this report as item 2001-40269-003.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

RILEY TOWNSHIP

PUTNAM 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 21, 2002**