



**Auditor of State
Betty Montgomery**

**CESSNA TOWNSHIP
HARDIN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Cessna Township
Hardin County
7447 Township Road 89
Ada, OH 45810

To the Board of Trustees:

We have audited the accompanying financial statements of Cessna Township, Hardin County (the "Township"), as of and for the years ended December 31, 2002 and 2001. 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 of the Township as of December 31, 2002 and 2001, 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 7, 2003, 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.

This report is intended solely for the information and use of the audit committee, management, and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 7, 2003

**CESSNA TOWNSHIP
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$17,166	\$11,878		\$29,044
Intergovernmental	24,070	61,556	19,048	104,674
Licenses, Permits, and Fees	210	100		310
Earnings on Investments	1,492	979		2,471
Other Revenue	782			782
	<u>43,720</u>	<u>74,513</u>	<u>19,048</u>	<u>137,281</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	40,783	10,108		50,891
Public Safety	538			538
Public Works		24,067		24,067
Health	8,687	66		8,753
Intergovernmental Expenditures		845		845
Capital Outlay	2,600	1,675	19,048	23,323
Debt Service:				
Redemption of Principal		9,733		9,733
	<u>52,608</u>	<u>46,494</u>	<u>19,048</u>	<u>118,150</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(8,888)</u>	<u>28,019</u>		<u>19,131</u>
Other Financing Receipts and (Disbursements):				
Sale of Fixed Assets	3,409			3,409
Other Uses	(871)			(871)
	<u>2,538</u>			<u>2,538</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(6,350)</u>	<u>28,019</u>		<u>21,669</u>
Fund Cash Balances, January 1	<u>59,664</u>	<u>68,538</u>		<u>128,202</u>
Fund Cash Balances, December 31	<u><u>\$53,314</u></u>	<u><u>\$96,557</u></u>	<u><u>\$0</u></u>	<u><u>\$149,871</u></u>

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

CESSNA TOWNSHIP
HARDIN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

Operating Cash Receipts	
Earnings on Investments	\$5
Operating Cash Disbursements	<u>0</u>
Receipts Over Disbursements	5
Fund Cash Balance, January 1	<u>322</u>
Fund Cash Balance, December 31	<u><u>\$327</u></u>

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

**CESSNA TOWNSHIP
HARDIN 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$17,168	\$11,897	\$29,065
Intergovernmental	22,859	62,979	85,838
Licenses, Permits, and Fees	270	500	770
Earnings on Investments	2,549	1,870	4,419
Other Revenue	594	327	921
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	43,440	77,573	121,013
Cash Disbursements:			
Current:			
General Government	39,484	7,620	47,104
Public Safety	1,975		1,975
Public Works		28,934	28,934
Health	7,535	300	7,835
Intergovernmental Expenditures		796	796
Capital Outlay	836	13,190	14,026
Debt Service:			
Redemption of Principal		9,733	9,733
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	49,830	60,573	110,403
Total Receipts Over/(Under) Disbursements	(6,390)	17,000	10,610
Fund Cash Balances, January 1	66,054	51,538	117,592
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$59,664</u>	<u>\$68,538</u>	<u>\$128,202</u>

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

CESSNA TOWNSHIP
HARDIN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001

Operating Cash Receipts	
Earnings on Investments	\$12
Operating Cash Disbursements	<u>0</u>
Receipts Over Disbursements	12
Fund Cash Balance, January 1	<u>310</u>
Fund Cash Balance, December 31	<u><u>\$322</u></u>

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

**CESSNA TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Cessna Township, Hardin 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 government services, cemetery maintenance, road and bridge maintenance, and fire protection. The Township contracts with the McGuffey Volunteer Fire Company to provide fire services.

The residents of the Township support the Veteran's Memorial Park District through a tax levy. This relationship is further described in Note 4.

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 savings account is valued at cost. Investments in STAR Ohio (the State Treasurer's investment pool) are valued at amounts reported by the State Treasurer.

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

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

**CESSNA TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fire Protection Fund – This fund receives tax levy money to provide fire protection to the Township

3. Fiduciary Fund (Trust Fund)

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary fund:

Non-Expendable Cemetery Trust Fund – Amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

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 cancelled and reappropriated in the subsequent year.

A summary of 2002 and 2001 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.

**CESSNA TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

Demand deposits	\$40,588	\$34,113
Savings account	300	300
Total Deposits	<u>40,888</u>	<u>34,413</u>
STAR Ohio	109,310	94,111
Total deposits and investments	<u><u>\$150,198</u></u>	<u><u>\$128,524</u></u>

Deposits: Deposits and the savings account are insured by the Federal Depository Insurance Corporation.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,991	\$47,129	\$3,138
Special Revenue	74,430	74,513	83
Capital Projects	19,048	19,048	
NonExpendable Trust	10	5	(5)
Total	<u><u>\$137,479</u></u>	<u><u>\$140,695</u></u>	<u><u>\$3,216</u></u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditure	Variance
General	\$97,900	\$53,479	\$44,421
Special Revenue	139,647	46,494	93,153
Capital Projects	19,048	19,048	
NonExpendable Trust	30		30
Total	<u><u>\$256,625</u></u>	<u><u>\$119,021</u></u>	<u><u>\$137,604</u></u>

**CESSNA TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,546	\$43,440	\$4,894
Special Revenue	72,967	77,573	4,606
NonExpendable Trust		12	12
Total	\$111,513	\$121,025	\$9,512

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$100,050	\$49,830	\$50,220
Special Revenue	121,599	60,573	61,026
NonExpendable Trust	29		29
Total	\$221,678	\$110,403	\$111,275

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.

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.

The residents of the Township support the Veteran's Memorial Park District (the "Park") through a tax levy. This levy is un-voted (inside millage). During 2002 and 2001, the Park received \$845 and \$796, respectively, in tax revenue from the residents of the Township. This money is reported as "memo only" tax revenue and intergovernmental expenditures in the Township's Special Revenue Park Fund since it is disbursed directly to the Park by the Hardin County Auditor.

**CESSNA TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT

Debt outstanding at December 31, 2002, was as follows:

	Principal	Interest Rate
Issue II Notes	\$43,798	0%

The Issue II note debt is a ten-year loan from the Ohio Public Works Commission which was used for Township Road 90 road resurfacing and reconstruction project completed during 1997. The note will be paid in semi-annual installments of \$4,867 over ten years with no interest charged.

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

Year ending December 31:	Issue II Note
2003	\$9,733
2004	9,733
2005	9,733
2006	9,733
2007	4,866
Total	<u>\$43,798</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 2002 and 2001, members of PERS 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, 2002.

7. RISK MANAGEMENT

A. 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.

**CESSNA TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT (Continued)

B. 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.

C. 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.

D. Financial Position

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

<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>



**Auditor of State
Betty Montgomery**

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

Cessna Township
Hardin County
7447 Township Road 89
Ada, OH 45810

To the Board of Trustees:

We have audited the financial statements of Cessna Township, Hardin County (the "Township"), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 7, 2003. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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.

This report is intended solely for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 7, 2003

**CESSNA TOWNSHIP
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40233-001	Ohio Rev. Code 5705.41 (D) – prior certification of expenditures.	Yes	



**Auditor of State
Betty Montgomery**

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CESSNA TOWNSHIP

HARDIN 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 8, 2003**