



**Auditor of State  
Betty Montgomery**



**DAMASCUS TOWNSHIP  
HENRY COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Damascus Township  
Henry County  
M-717 Road 1  
McClure, OH 43534-9767

To the Board of Trustees:

We have audited the accompanying financial statements of Damascus Township, Henry 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 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 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 July 9, 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 audits.

Damascus Township  
Henry County  
Independent Accountants' Report  
Page 2

This report is intended solely for the information and use of the 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.

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

**Betty Montgomery**  
Auditor of State

July 9, 2003

**DAMASCUS TOWNSHIP  
HENRY COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$53,538	\$61,973		\$115,511
Intergovernmental	25,322	49,182		74,504
Charges for Services	9,575	8,952		18,527
Licenses, Permits, and Fees	600	3,220		3,820
Earnings on Investments	1,168	1,723	\$4,602	7,493
Other Revenue	9,925	8,029		17,954
	<u>100,128</u>	<u>133,079</u>	<u>4,602</u>	<u>237,809</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	76,612			76,612
Public Safety	8,565	14,042		22,607
Public Works	192	36,412		36,604
Health		8,200		8,200
Debt Service:				
Redemption of Principal		19,366		19,366
Interest and Fiscal Charges		1,848		1,848
Capital Outlay	4,283	7,685		11,968
	<u>89,652</u>	<u>87,553</u>		<u>177,205</u>
Total Cash Receipts Over Cash Disbursements	<u>10,476</u>	<u>45,526</u>	<u>4,602</u>	<u>60,604</u>
<b>Other Financing Receipts:</b>				
Other Sources	24			24
	<u>24</u>			<u>24</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	10,500	45,526	4,602	60,628
Fund Cash Balances, January 1	<u>138,115</u>	<u>124,829</u>	<u>64,502</u>	<u>327,446</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$148,615</u></b>	<b><u>\$170,355</u></b>	<b><u>\$69,104</u></b>	<b><u>\$388,074</u></b>

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

**DAMASCUS TOWNSHIP  
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$52,867	\$65,845		\$118,712
Intergovernmental	31,848	50,129		81,977
Charges for Services	6,000	16,563		22,563
Licenses, Permits, and Fees	1,050	5,720		6,770
Fines, Forfeitures, and Penalties	12,643			12,643
Earnings on Investments	1,186	2,373	\$4,307	7,866
Other Revenue				
<b>Total Cash Receipts</b>	<u>105,594</u>	<u>140,630</u>	<u>4,307</u>	<u>250,531</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	91,959			91,959
Public Safety	17,438	14,906		32,344
Public Works	214	17,783		17,997
Health		10,553		10,553
Debt Service:				
Redemption of Principal		17,949		17,949
Interest and Fiscal Charges		3,265		3,265
Capital Outlay		94,421		94,421
<b>Total Cash Disbursements</b>	<u>109,611</u>	<u>158,877</u>		<u>268,488</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(4,017)</u>	<u>(18,247)</u>	<u>4,307</u>	<u>(17,957)</u>
<b>Other Financing Receipts:</b>				
Sale of Fixed Assets		8,400		8,400
<b>Total Other Financing Receipts</b>		<u>8,400</u>		<u>8,400</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements</b>	<u>(4,017)</u>	<u>(9,847)</u>	<u>4,307</u>	<u>(9,557)</u>
<b>Fund Cash Balances, January 1</b>	<u>142,132</u>	<u>134,676</u>	<u>60,195</u>	<u>337,003</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$138,115</u></u>	<u><u>\$124,829</u></u>	<u><u>\$64,502</u></u>	<u><u>\$327,446</u></u>

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

**DAMASCUS TOWNSHIP  
HENRY COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Damascus Township, Henry 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, 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. 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 Deposits**

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:

*Road and Bridge Fund* - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

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

**DAMASCUS TOWNSHIP  
HENRY COUNTY**

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

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

*Fire District Fund* – This Fund receives property tax money for the purchase and maintenance of fire equipment.

**3. Fiduciary Funds (Trust Fund)**

This fund is used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

*Nonexpendable Trust Fund* – The Township has one trust fund established for the purpose of maintaining the local cemetery. The principal is restricted.

**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 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. The Township did not use the encumbrance method of accounting. However, no material unrecorded encumbrances were outstanding at December 31.

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.

**DAMASCUS TOWNSHIP  
HENRY COUNTY**

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

**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:

	2002	2001
Demand deposits	\$318,971	\$262,944
Certificates of deposit	69,103	64,502
Total deposits	\$388,074	\$327,446

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 ending December 31 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,975	\$100,152	\$43,177
Special Revenue	128,274	133,079	4,805
Fiduciary		4,602	4,602
Total	\$185,249	\$237,833	\$52,584

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$195,090	\$89,652	\$105,438
Special Revenue	253,103	87,553	165,550
Total	\$448,193	\$177,205	\$270,988

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,837	\$105,594	\$48,757
Special Revenue	131,607	149,030	17,423
Fiduciary		4,307	4,307
Total	\$188,444	\$258,931	\$70,487

**DAMASCUS TOWNSHIP  
HENRY COUNTY**

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

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$198,968	\$109,611	\$89,357
Special Revenue	266,284	158,877	107,407
Total	\$465,252	\$268,488	\$196,764

Contrary to Ohio Administrative Code §§ 117-2-02 (C) (1) and (D) (3), the Township does not post appropriations to the appropriation ledger, encumber funds or use purchase orders. Also, contrary to Ohio Administrative Code §§ 117-2-02 (C) (1) and (D) (2), the Township does not post estimated receipts to accounts in the receipt's ledger. The budgetary financial note correctly reflects approved appropriations and budgeted resources.

**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.

**5. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$20,505	5.25%

The general obligation note was issued to finance the purchase of a new fire truck. The note is secured by the truck.

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

	General Obligation Notes
Year ending December 31: 2003	\$21,317

**DAMASCUS TOWNSHIP  
HENRY COUNTY**

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

**6. RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equal to 13.55 percent of participants' gross salaries for 2002 and 2001. The Township had a \$1,407 contribution still outstanding to OPERS at December 31, 2002.

**7. 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 claim, including loss adjustment expenses. 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, from the General Reinsurance Corporation.

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.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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 reported the following assets, liabilities and retained earnings at December 31:

**DAMASCUS TOWNSHIP  
HENRY COUNTY**

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

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	(9,197,512)	(9,379,003)
Retained Earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>
<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained Earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>



**Auditor of State  
Betty Montgomery**

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

Damascus Township  
Henry County  
M-717 Road 1  
McClure, OH 43534-9767

To the Board of Trustees:

We have audited the accompanying financial statements of Damascus Township, Henry County, (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 9, 2003. 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 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 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 9, 2003.

**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 July 9, 2003.

Damascus Township  
Henry County  
Independent Accountants' Report 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 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

July 9, 2003

**DAMASCUS TOWNSHIP  
HENRY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

**Noncompliance Citation**

Ohio Administrative Code §§ 117-2-02 (C)(1) and (D)(3) states each township should post to each appropriation account an amount equal to the amount appropriated for that account in the annual appropriation resolution(s). Each expenditure or encumbrance charged against an appropriation account shall be posted and subtracted from the appropriated balance producing a declining unencumbered balance. This procedure is to be initiated by an executed purchase order.

The Township does not post appropriations to the appropriation ledger, encumber funds or use purchase orders. The budgetary financial note correctly reflects amounts from annual appropriation resolutions and any amendments.

Inaccurate budget to actual comparisons could cause management to draw incorrect conclusions regarding fiscal position. Also, failure to encumber appropriations could result in obligations exceeding available resources and ultimately result in deficit spending.

We recommend the township post appropriations to the appropriation ledger and utilize purchase orders. Each expenditure or encumbrance charged against an appropriation account should be posted and subtracted from the appropriated balance producing a declining unencumbered balance.

**FINDING NUMBER 2002-002**

**Noncompliance Citation**

Ohio Administration Code §§ 117-2-02(C)(1) and (D)(2) states each township should maintain a receipts ledger which shall contain a separate sheet for each account established by the township. The Township should post to each receipts account the estimated amount of money to be received into the account as specified by the county budget commission in its official estimate of balances and receipts set forth in the certificate of estimated resources.

The Clerk does not post estimated receipts to accounts in the receipts ledger. The budgetary financial note correctly reflects amounts from the certificate of estimated resources.

Without budget to actual comparisons, management could draw incorrect conclusions regarding fiscal position.

We recommend the estimated taxes revenue and total other sources revenue amounts officially approved on the Amended Certificates of Estimated Resources be posted to the receipts ledger.

**DAMASCUS TOWNSHIP  
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR END**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2000-40135-001	Ohio Administrative Code §117-3-11 (B) does not post appropriations to the appropriation ledger and (D) does not use purchase orders nor encumber funds.	No	Administrative Code § 117-3-11 replaced by 117-2-02. Finding reissued as finding number 2002-001.
2000-40135-002	Ohio Administrative Code §117-3-09 (B) does not post estimated receipts to the receipts ledger.	No	Administrative Code § 117-3-09 replaced by 117-2-02. Finding reissued as finding number 2002-002.
2000-40135-003	Ohio Administrative Code § 117.38 proper filing of financial reports with the Auditor of State.	No	Partially corrected. Reported in the management letter.



**Auditor of State  
Betty Montgomery**

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Columbus, Ohio 43216-1140  
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800-282-0370  
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**DAMASCUS TOWNSHIP**

**HENRY 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 14, 2003**