



**Auditor of State
Betty Montgomery**

HOCKING TOWNSHIP
FAIRFIELD COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Hocking Township
Fairfield County
2859 Boving Road SW
Lancaster, Ohio 43130

To the Board of Trustees:

We have audited the accompanying financial statements of Hocking Township, Fairfield County, Ohio, (the Township) as of and for the years ended December 31, 2002, and December 31, 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 described 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 Hocking Township, Fairfield County, Ohio, as of December 31, 2002, and December 31, 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 June 23, 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 management, the Board of Trustees and other officials authorized to receive this report under Section 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

June 23, 2003

**HOCKING TOWNSHIP
FAIRFIELD 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> | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Local Taxes | \$34,963 | \$210,951 | \$0 | \$245,914 |
| Intergovernmental | 163,488 | 99,625 | 168,713 | 431,826 |
| Licenses, Permits, and Fees | 0 | 7,177 | 0 | 7,177 |
| Earnings on Investments | 9,525 | 2,699 | 0 | 12,224 |
| Other Revenue | 2,667 | 299 | 0 | 2,966 |
| Total Cash Receipts | <u>210,643</u> | <u>320,751</u> | <u>168,713</u> | <u>700,107</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 125,309 | 6,848 | 0 | 132,157 |
| Public Safety | 0 | 67,051 | 0 | 67,051 |
| Public Works | 61,549 | 190,182 | 0 | 251,731 |
| Health | 13,534 | 0 | 0 | 13,534 |
| Capital Outlay | 0 | 16,327 | 168,713 | 185,040 |
| Total Cash Disbursements | <u>200,392</u> | <u>280,408</u> | <u>168,713</u> | <u>649,513</u> |
| Total Receipts Over Disbursements | <u>10,251</u> | <u>40,343</u> | <u>0</u> | <u>50,594</u> |
| Other Financing Receipts: | | | | |
| Sale of Fixed Assets | 0 | 9,000 | 0 | 9,000 |
| Total Other Financing Receipts | <u>0</u> | <u>9,000</u> | <u>0</u> | <u>9,000</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements | 10,251 | 49,343 | 0 | 59,594 |
| Fund Cash Balances, January 1 | 432,567 | 168,574 | 0 | 601,141 |
| Fund Cash Balances, December 31 | <u><u>\$442,818</u></u> | <u><u>\$217,917</u></u> | <u><u>\$0</u></u> | <u><u>\$660,735</u></u> |
| Reserve for Encumbrances, December 31 | <u><u>\$239</u></u> | <u><u>\$7,554</u></u> | <u><u>\$0</u></u> | <u><u>\$7,793</u></u> |

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

**HOCKING TOWNSHIP
FAIRFIELD 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> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Local Taxes | \$30,543 | \$148,322 | \$0 | \$178,865 |
| Intergovernmental | 226,256 | 101,324 | 27,255 | 354,835 |
| Licenses, Permits, and Fees | 0 | 11,473 | 0 | 11,473 |
| Earnings on Investments | 14,075 | 4,153 | 0 | 18,228 |
| Other Revenue | 3,437 | 4,000 | 0 | 7,437 |
| | <u>274,311</u> | <u>269,272</u> | <u>27,255</u> | <u>570,838</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 66,992 | 8,773 | 0 | 75,765 |
| Public Safety | 0 | 56,734 | 0 | 56,734 |
| Public Works | 83,759 | 204,093 | 0 | 287,852 |
| Health | 12,445 | 0 | 0 | 12,445 |
| Capital Outlay | 52,975 | 43,208 | 27,255 | 123,438 |
| | <u>216,171</u> | <u>312,808</u> | <u>27,255</u> | <u>556,234</u> |
| Total Receipts Over/(Under) Disbursements | 58,140 | (43,536) | 0 | 14,604 |
| Fund Cash Balances, January 1 | <u>374,427</u> | <u>212,110</u> | <u>0</u> | <u>586,537</u> |
| Fund Cash Balances, December 31 | <u>\$432,567</u> | <u>\$168,574</u> | <u>\$0</u> | <u>\$601,141</u> |
| Reserve for Encumbrances, December 31 | <u>\$1,269</u> | <u>\$37,098</u> | <u>\$168,713</u> | <u>\$207,080</u> |

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

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Hocking Township, Fairfield County, Ohio, (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, including road and bridge maintenance, and zoning. The Township contracts with the Amanda Township for 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 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.

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

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:

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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 gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Special Levy Fund - This fund receives tax money for fire and EMS protection which is contracted with Amanda Township.

3. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital projects fund:

Issue II Fund - The Township received grants from the State of Ohio for various road projects.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 2002 and 2001 budgetary activity appears in Note 3.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

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:

| | 2002 | 2001 |
|--------------------------------|-----------|-----------|
| Demand deposits | \$350,049 | \$295,973 |
| Total deposits | 350,049 | 295,973 |
| STAR Ohio | 310,686 | 305,168 |
| Total investments | 310,686 | 305,168 |
| Total deposits and investments | \$660,735 | \$601,141 |

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

| 2002 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$188,838 | \$210,643 | \$21,805 |
| Special Revenue | 289,403 | 329,751 | 40,348 |
| Capital Projects | 168,713 | 168,713 | 0 |
| Total | \$646,954 | \$709,107 | \$62,153 |

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|------------------|
| General | \$613,858 | \$200,631 | \$413,227 |
| Special Revenue | 470,281 | 287,962 | 182,319 |
| Capital Projects | 168,713 | 168,713 | 0 |
| Total | <u>\$1,252,852</u> | <u>\$657,306</u> | <u>\$595,546</u> |

2001 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|--------------------|
| General | \$257,801 | \$274,311 | \$16,510 |
| Special Revenue | 221,874 | 269,272 | 47,398 |
| Capital Projects | 200,968 | 27,255 | (173,713) |
| Total | <u>\$680,643</u> | <u>\$570,838</u> | <u>(\$109,805)</u> |

2001 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|-----------------|
| General | \$386,271 | \$217,440 | \$168,831 |
| Special Revenue | 433,881 | 349,906 | 83,975 |
| Capital Projects | 0 | 195,968 | (195,968) |
| Total | <u>\$820,152</u> | <u>\$763,314</u> | <u>\$56,838</u> |

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the Capital Projects fund by \$195,968 for the year ended December 31, 2001.

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 payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

5. RETIREMENT SYSTEM

The Township's employees along with elected officials 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, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries in 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

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 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.

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

6. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

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:

| <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> |

The Township also provides health insurance and dental insurance to its employees through private carriers.

7. JOINTLY GOVERNED ORGANIZATION

The Township appoints a person to represent the Township on the 47 member board of the Fairfield Regional Planning Commission. The Township pays a small membership fee annually. The fee is based on the per capita of the Township. There is no ongoing financial interest or responsibility by the Township.

8. SUBSEQUENT EVENTS

In January, 2003, the Township issued a \$40,000 promissory note through Bremen Bank for the purchase of a dump truck.



**Auditor of State
Betty Montgomery**

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

Hocking Township
Fairfield County
2859 Boving Road SW
Lancaster, Ohio 43130

We have audited the financial statements of Hocking Township, Fairfield County, Ohio, (the Township) as of and for the years ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated June 23, 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 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 June 23, 2003.

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 June 23, 2003.

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
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Hocking Township
Fairfield 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 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

June 23, 2003

**HOCKING TOWNSHIP
FAIRFIELD COUNTY**

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

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

Finding for Recovery

| | |
|----------------|----------|
| Finding Number | 2002-001 |
|----------------|----------|

Township Resolution 01-27 established the building permit fee for single-family and two-family residential property of \$250 or 5 cents per square foot, whichever is greater, effective from and after July 25, 2001. Prior to Resolution 01-27, Article XII, Section 1201 of the Zoning Rules established the permit fee for residential detached building structures of \$20 plus 5 cents per square foot, minimum of \$50, whichever is greater, effective prior to July 25, 2001.

In error, the Zoning Inspector only charged \$1,687.80 for 14 permits in 2001, resulting in \$684 in uncollected charges.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money due but not collected is hereby issued against John Uhl, former Zoning Inspector, and Ohio Township Association Risk Management Authority, his bonding company, jointly and severally, in the amount of \$684, and in favor of the Township's Zoning Fund.

Material Noncompliance

| | |
|----------------|----------|
| Finding Number | 2002-001 |
|----------------|----------|

Expenditures exceeding appropriations

Ohio Rev. Code Section 5705.41 (B) requires that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

As of December 31, 2001, expenditures exceeded appropriations in the Capital Project Public Works Commission fund in the amount of \$195,968. The Township had no legal appropriations for this fund.

We recommend the Board of Trustees approve amended appropriations before funds are expended.



**Auditor of State
Betty Montgomery**

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HOCKING TOWNSHIP

FAIRFIELD 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 7, 2003**