



**Auditor of State
Betty Montgomery**

TOWNSEND TOWNSHIP
SANDUSKY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Type - For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Type - For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Townsend Township
Sandusky County
2739 County Road 306
Vickery, OH 43464-9733

To the Board of Trustees:

We have audited the accompanying financial statements of Townsend Township, Sandusky 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 and reserve for encumbrances of Townsend Township, Sandusky County, 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 22, 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.

Townsend Township
Sandusky County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of 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

April 22, 2003

**TOWNSEND TOWNSHIP
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPE
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>	<u>Fiduciary Fund</u>	
Cash Receipts:					
Local Taxes	\$24,070	\$104,227			\$128,297
Intergovernmental	53,522	72,031	\$22,000		147,553
Special Assessments		1,802			1,802
Licenses, Permits, and Fees		5,633			5,633
Earnings on Investments	1,906	334	680	\$35	2,955
Other Revenue	81	1,700			1,781
	<u>79,579</u>	<u>185,727</u>	<u>22,680</u>	<u>35</u>	<u>288,021</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	49,966				49,966
Public Safety	1,740	1,405			3,145
Public Works	69	149,383			149,452
Health	3,874	4,124			7,998
Capital Outlay	2,400	75,029	66,094		143,523
	<u>58,049</u>	<u>229,941</u>	<u>66,094</u>		<u>354,084</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>21,530</u>	<u>(44,214)</u>	<u>(43,414)</u>	<u>35</u>	<u>(66,063)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In			15,000		15,000
Transfers-Out	(15,000)				(15,000)
	<u>(15,000)</u>		<u>15,000</u>		
Total Other Financing Receipts and (Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	6,530	(44,214)	(28,414)	35	(66,063)
Fund Cash Balances, January 1	<u>16,953</u>	<u>74,077</u>	<u>78,661</u>	<u>565</u>	<u>170,256</u>
Fund Cash Balances, December 31	<u>\$23,483</u>	<u>\$29,863</u>	<u>\$50,247</u>	<u>\$600</u>	<u>\$104,193</u>
Reserve for Encumbrances, December 31	<u>\$101</u>	<u>\$137</u>			<u>\$238</u>

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

**TOWNSEND TOWNSHIP
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPE
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>	<u>Fiduciary Fund</u>	
Cash Receipts:					
Local Taxes	\$24,166	\$104,856			\$129,022
Intergovernmental	59,950	74,433			134,383
Special Assessments		2,007			2,007
Licenses, Permits, and Fees		1,700			1,700
Earnings on Investments	1,625	804	\$997		3,426
Other Revenue	1,287	2,475			3,762
	<u>87,028</u>	<u>186,275</u>	<u>997</u>		<u>274,300</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	51,397				51,397
Public Safety	1,740	1,397			3,137
Public Works	75	70,416			70,491
Health	5,933	1,869			7,802
Capital Outlay	2,400	75,661			78,061
	<u>61,545</u>	<u>149,343</u>			<u>210,888</u>
Total Cash Disbursements					
Total Receipts Over Disbursements	<u>25,483</u>	<u>36,932</u>	<u>997</u>		<u>63,412</u>
Other Financing Receipts and (Disbursements):					
Transfers-In		500	44,094		44,594
Transfers-Out	(15,500)	(29,094)			(44,594)
	<u>(15,500)</u>	<u>(28,594)</u>	<u>44,094</u>		
Total Other Financing Receipts and (Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	9,983	8,338	45,091		63,412
Fund Cash Balances, January 1	6,970	65,739	33,570	\$565	106,844
Fund Cash Balances, December 31	<u><u>\$16,953</u></u>	<u><u>\$74,077</u></u>	<u><u>\$78,661</u></u>	<u><u>\$565</u></u>	<u><u>\$170,256</u></u>
Reserve for Encumbrances, December 31					

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

**TOWNSEND TOWNSHIP
SANDUSKY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Townsend Township, Sandusky 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 contracts with the Townsend Township Volunteer Fire Department to provide fire 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. Fund Accounting

The Township uses fund accounting to segregate cash that is 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 gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Fire Fund - This fund receives property tax money for the fire department.

**TOWNSEND TOWNSHIP
SANDUSKY COUNTY**

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

3. Capital Project Funds

These funds are 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 project funds:

Local Transportation Improvement Program (LTIP) Fund – This fund receives grant money for road improvements.

Miscellaneous Capital Projects Fund – This fund received transfers from the General, Motor Vehicle License Tax and Gasoline Tax funds for road improvements.

4. Fiduciary Fund (Trust Fund)

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

Cemetery Bequest Fund – This fund receives estate money for the care and upkeep of specific cemetery lots.

D. 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. 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. The Township did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**TOWNSEND TOWNSHIP
SANDUSKY COUNTY**

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

E. 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. The carrying amount of cash at December 31 was as follows:

	2002	2001
Demand deposits	\$104,193	\$170,256

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

At December 31, 2002, \$89,296 of deposits were not insured or collateralized, contrary to Ohio law.

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	\$58,683	\$79,579	\$20,896
Special Revenue	177,855	185,727	7,872
Capital Projects		37,680	37,680
Fiduciary		35	35
Total	\$236,538	\$303,021	\$66,483

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$74,467	\$73,150	\$1,317
Special Revenue	241,856	230,078	11,778
Capital Projects	100,094	66,094	34,000
Total	\$416,417	\$369,322	\$47,095

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,186	\$87,028	\$14,842
Special Revenue	177,308	186,775	9,467
Capital Projects	22,000	45,091	23,091
Total	\$271,494	\$318,894	\$47,400

**TOWNSEND TOWNSHIP
SANDUSKY 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	\$79,154	\$77,045	\$2,109
Special Revenue	240,471	178,437	62,034
Capital Projects	22,000	22,000	22,000
Total	\$341,625	\$255,482	\$86,143

Contrary to Ohio Law, the Township did not obtain an increased amended certificate of estimated resources upon the receipt of a Local Transportation Improvement Program (LTIP) grant during fiscal year 2002 which resulted in appropriations exceeding estimated resources. The Township also did not always certify the availability of funds prior to the expenditure of money.

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 payments, 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. RETIREMENT SYSTEMS

The Township 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, members of OPERS contributed 8.5 percent of their gross salaries. The Township contributed an amount equal to 13.55 percent of participants' gross salaries. 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).

**TOWNSEND TOWNSHIP
SANDUSKY COUNTY**

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

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.

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	9,379,003	8,924,977
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	647,667	497,831
Retained Earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

Townsend Township
Sandusky County
2739 County Road 306
Vickery, OH 43464-9733

To the Board of Trustees:

We have audited the accompanying financial statements of Townsend Township, Sandusky County, (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 22, 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 audits 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 2002-40172-001, 2002-40172-002, 2002-40172-003, and 2002-40172-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 22, 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 April 22, 2003.

Townsend Township
Sandusky 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

April 22, 2003

**TOWNSEND TOWNSHIP
SANDUSKY COUNTY**

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

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

FINDING NUMBER 2002-40172-001

Noncompliance Citation

Ohio Revised Code § 5705.36 allows all subdivisions to request increased and reduced amended certificates of estimated resources upon the determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the Budget Commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. As of December 31, 2002, the Township's actual receipts in the Local Transportation Improvement Program Fund (\$22,000) exceeded estimated receipts (\$0) in the amount of \$22,000. We recommend the Township review this Ohio Revised Code Section and Auditor of State Bulletins 97-010 and 97-012 which address budgetary issues in detail.

FINDING NUMBER 2002-40172-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. Also, no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirement:

1. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
2. If the amount involved is less than \$3,000 the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Twelve percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. To improve controls over disbursements, we recommend all Township disbursements receive certification of the fiscal officer that the funds are or will be available.

FINDING NUMBER 2002-40172-003

Noncompliance Citation

Ohio Revised Code § 5705.39 states total appropriations should not exceed total estimated revenue. During fiscal year 2002, the Township's total appropriations (\$22,000) exceeded estimated revenues in the Local Transportation Improvement Program (LTIP) Fund (\$0) in the amount of \$22,000. We recommend the Township obtain an amended official certificate of estimated resources prior to appropriations exceeding certified resources throughout the fiscal year.

FINDING NUMBER 2002-40172-004

Noncompliance Citation

Ohio Revised Code § 135.18 states the Clerk 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. The Township's funds deposited with The Castalia Banking Company, affiliated First Citizens Banc Corp were under collateralized at December 31, 2002 in the amount of \$89,296.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

TOWNSEND TOWNSHIP

SANDUSKY 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
JUNE 3, 2003**