



**Auditor of State
Betty Montgomery**

AMANDA TOWNSHIP
ALLEN COUNTY

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**Auditor of State
Betty Montgomery**

Amanda Township
Allen County
1190 Mills Road
Lima, Ohio 45806

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 30, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Amanda Township
Allen County
1190 Mills Road
Lima, Ohio 45806

To the Board of Trustees:

We have audited the accompanying financial statements of Amanda Township, Allen County, (the Township), as of and for the years ended December 31, 2005 and 2004. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Amanda Township, Allen County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

October 30, 2006

**AMANDA TOWNSHIP
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$34,340	\$47,595		\$81,935
Intergovernmental	40,832	97,082		137,914
Licenses, Permits, and Fees	5,509	3,368		8,877
Earnings on Investments	29	206		235
Other Revenue	7,219	1,200		8,419
Total Cash Receipts	87,929	149,451		237,380
Cash Disbursements:				
Current:				
General Government	62,249			62,249
Public Safety	9,460	25,349		34,809
Public Works		87,371		87,371
Health	3,000	8,675		11,675
Conservation - Recreation	54			54
Debt Service:				
Redemption of Principal			\$6,233	6,233
Interest and Fiscal Charges			789	789
Capital Outlay		4,763		4,763
Total Cash Disbursements	74,763	126,158	7,022	207,943
Total Receipts Over/(Under) Disbursements	13,166	23,293	(7,022)	29,437
Other Financing Receipts and (Disbursements):				
Transfers-In		4,600	7,022	11,622
Transfers-Out	(11,622)			(11,622)
Total Other Financing Receipts/(Disbursements)	(11,622)	4,600	7,022	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,544	27,893		29,437
Fund Cash Balances, January 1	687	24,389	658	25,734
Fund Cash Balances, December 31	<u>\$2,231</u>	<u>\$52,282</u>	<u>\$658</u>	<u>\$55,171</u>

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

AMANDA TOWNSHIP
ALLEN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Fiduciary Fund</u>
	<u>Nonexpendable</u>
	<u>Trust</u>
Non-Operating Cash Receipts:	
Earnings on Investments	\$123
Fund Cash Balance, January 1	<u>3,453</u>
Fund Cash Balances, December 31	<u><u>\$3,576</u></u>

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

**AMANDA TOWNSHIP
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$33,158	\$46,675			\$79,833
Intergovernmental	59,737	82,119		\$70,857	212,713
Licenses, Permits, and Fees	4,039	5,931			9,970
Earnings on Investments	32	105			137
Other Revenue	1,489	3,122			4,611
Total Cash Receipts	98,455	137,952		70,857	307,264
Cash Disbursements:					
Current:					
General Government	74,921				74,921
Public Safety	8,432	19,336			27,768
Public Works		96,277			96,277
Health	2,137	9,516			11,653
Redemption of Principal			\$6,031		6,031
Interest and Fiscal Charges			1,089		1,089
Capital Outlay		1,000		70,857	71,857
Total Cash Disbursements	85,490	126,129	7,120	70,857	289,596
Total Receipts Over/(Under) Disbursements	12,965	11,823	(7,120)		17,668
Other Financing Receipts and (Disbursements):					
Transfers-In		630	7,120		7,750
Transfers-Out	(7,750)				(7,750)
Total Other Financing Receipts/(Disbursements)	(7,750)	630	7,120		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,215	12,453			17,668
Fund Cash Balances, January 1	(4,528)	11,936	658		8,066
Fund Cash Balances, December 31	<u>\$687</u>	<u>\$24,389</u>	<u>\$658</u>	<u>\$0</u>	<u>\$25,734</u>

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

AMANDA TOWNSHIP
ALLEN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Fiduciary Fund</u>
	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Earnings on Investments	\$170
Operating Cash Disbursements:	
Current:	
Purchased Services	<u>132</u>
Operating Income	38
Fund Cash Balance, January 1	<u>3,415</u>
Fund Cash Balances, December 31	<u><u>\$3,453</u></u>

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

**AMANDA TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Amanda Township, Allen County, (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Elida Community Fire Company and the Spencerville Invincible Fire Company to provide fire services and Elida Community Fire Company and the Spencerville Ambulance Service to provide ambulance 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds 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.

**AMANDA TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(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 Fund – This fund receives property tax money for fire protection and ambulance service within the Township.

3. Debt Service Fund

This fund accounts for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

Debt Service Fund – This fund receives fund transfers and accounts for the payment of the Land Mortgage and the Dump Truck Loan.

4. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through trust funds). The Township had the following significant capital project fund during 2004:

Issue II Fund - The Township received a grant from the State of Ohio to do road work on Mills Road, Kraft Road, and McBride Road.

5. Fiduciary Funds (Trust Funds)

These funds 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:

Maurer Cemetery Bequest Fund – This fund is a Nonexpendable Trust Fund to provide for the decoration of specific graves.

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 cash as of January 1. The County Budget Commission must also approve estimated resources.

**AMANDA TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$55,647	\$26,087
Certificates of deposit	3,100	3,100
Total deposits	\$58,747	\$29,187

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$78,141	\$87,929	\$9,788
Special Revenue	159,112	154,051	(5,061)
Debt Service	0	7,022	7,022
Fiduciary	0	123	123
Total	\$237,253	\$249,125	\$11,872

**AMANDA TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$86,385	(\$86,385)
Special Revenue	0	126,158	(126,158)
Debt Service	0	7,022	(7,022)
Total	<u>\$0</u>	<u>\$219,565</u>	<u>(\$219,565)</u>

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$101,230	\$98,455	(\$2,775)
Special Revenue	213,808	138,582	(75,226)
Debt Service	3,498	7,120	3,622
Capital Projects	0	70,857	70,857
Fiduciary	275	170	(105)
Total	<u>\$318,811</u>	<u>\$315,184</u>	<u>(\$3,627)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$101,654	\$93,240	\$8,414
Special Revenue	220,204	126,129	94,075
Debt Service	0	7,120	(7,120)
Capital Projects	0	70,857	(70,857)
Fiduciary	250	132	118
Total	<u>\$322,108</u>	<u>\$297,478</u>	<u>\$24,630</u>

Contrary to Ohio law, the Township did not approve a permanent appropriation measure for 2005. This results in expenditures in excess of appropriations in each fund for the total amount of expenditures from each fund for 2005. In addition, expenditures exceeded appropriations during 2004 in the Capital Projects Fund by \$70,857 and the Debt Service Fund by \$7,120.

Contrary to Ohio law, the Township did not obtain a reduced certificate during 2004 for the General Fund, Road and Bridge Fund, and Cemetery Fund when the appropriations exceeded the actual available resources by \$7,727, \$75,097, and \$4,744, respectively. An increased amended certificate should have been obtained during 2004 for the Capital Projects Fund and Debt Service Fund as actual receipts exceeded budgeted receipts by \$70,857 and \$3,622, respectively, and the excess was appropriated and expended.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions.

**AMANDA TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. PROPERTY TAX (Continued)

The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Land Mortgage	\$2,058	1.375%
Dump Truck Loan	11,427	5%
Total	\$13,485	

The Land Mortgage is for land adjacent to the township hall. It was issued during 1997 and is payable in semi-annual payments. Interest is variable and changes on September first of every year. During 2005, the interest rate was 1.375%. The interest cannot change more than 2% each year and the maximum percentage is 10.95%.

The Dump Truck Loan was originally issued during 1996 for the purchase of a new dump truck, payable in semi-annual installments resulting in a five year maturity. During 1998, the township refinanced this note for \$38,676, with a new term of semi-annual payments of \$2,471 and a new maturity date of March 27, 2008.

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

Year Ending December 31:	Land Mortgage	Dump Truck Loan	Total
2006	\$2,080	\$4,943	\$7,023
2007		4,943	4,943
2008		2,381	2,381
Total	\$2,080	\$12,267	\$14,347

6. RETIREMENT SYSTEMS

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, members of OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

**AMANDA TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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 townships 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, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

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

Property Coverage - Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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 township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**AMANDA TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RISK MANAGEMENT (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, 2005 and 2004.

Casualty Coverage	2005	2004
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
Property Coverage	2005	2004
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$12,168.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Amanda Township
Allen County
1190 Mills Road
Lima, Ohio 45806

To the Board of Trustees:

We have audited the financial statements of the Amanda Township, Allen County, (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 30, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated October 30, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-006. In a separate letter to the Township's management dated October 30, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Amanda Township
Allen County
Independent Accountants' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By *Government Auditing Standards*
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We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for 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

October 30, 2006

AMANDA TOWNSHIP
ALLEN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-001

FINDING REPAID UNDER AUDIT

Salary Overpayment

Ohio Rev. Code Section 507.09 establishes the compensation for the township clerk (fiscal officer) based on the annual budget. OAG Opinion 99-015 states for the purposes of calculating the authorized compensation of the fiscal officer pursuant to R.C. 507.09, the term "budget" refers to the total amount of resources available to the township pursuant to the official certificate of estimated resources or amendments to the certificate, since the date of the certificate controls the salary amount. The Township's annual budget for fiscal year 2004 was \$309,301. Therefore, based on a budget of \$250,001-\$500,000, the fiscal officer's compensation was determined to be \$11,143.

Jennifer Schwartz, Fiscal Officer, whose new term began on April 1, 2004, was entitled to receive an increase in annual compensation from \$11,143 to \$11,548 on April 1, 2004, the first day of the new term. The Fiscal Officer should have received the old annual compensation for the first three months of 2004 until the date of the new term and the new annual salary for the subsequent nine months. During 2004, the Fiscal Officer was paid the increased annual salary for the entire twelve month period. These errors resulted in the following overpayment:

	Months	Monthly Compensation	Allowed Calculation	Actually Paid	Over Payment
January Through March 2004	3	<u>\$928.58</u>	<u>\$2,785.75</u>	<u>\$2,887</u>	<u>\$101.25</u>

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery is hereby rendered against Jennifer Schwartz, Township Fiscal Officer, and her bonding company, Ohio Township Association Risk Management Authority, jointly and severally, for money illegally expended in the amount of One hundred one dollars and twenty-five cents (\$101.25), and in favor of the Amanda Township treasury.

Officials' Response:

This finding was repaid on receipt number 118, dated November 15, 2006 and deposited into the Township treasury on the same date.

FINDING NUMBER 2005-002

FINDINGS REPAID UNDER AUDIT

In-Term Increase in Compensation

Ohio Rev. Code Section 505.601 states that a township that does not procure health care benefits for its officers and employees is permitted to reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs. However, pursuant to Ohio Rev. Code Section 505.601, the following three conditions must be met:

- The board of township trustees adopts a resolution stating that the township has chosen not to procure a health plan and has chosen instead to reimburse its officers and employees for each out-of-pocket premium.
- The resolution provides for a uniform maximum monthly or yearly payment amount for each officer and employee.
- The resolution states the specific benefits, pursuant to Ohio Rev. Code Section 505.60(A), that will be reimbursed.

On December 29, 1999, the Board of Trustees approved a resolution to reimburse officials \$1,200 per year for out-of-pocket health insurance premiums. On December 30, 2002, the Board of Trustees approved to increase the health insurance premium reimbursement to \$1,500 per year.

O Const Art II Section 20 and OAG 92-068 prohibit any change in the compensation of a township official during the officials' existing term. Accordingly, the increase in insurance premium reimbursements for a township official must be authorized by resolution before the officials' term begins.

The following findings represent the payments considered in-term increases:

1. Robert Barnt, Township Trustee, whose current term began January 1, 2002, received the benefit of a mid-term increase of \$300 in insurance reimbursements during 2005.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery is hereby rendered against Township Trustee Robert Barnt, Fiscal Officer Jennifer Schwartz, and their bonding company, Ohio Township Association Risk Management Authority, jointly and severally, for money illegally expended in the amount of Three Hundred Dollars (\$300), and in favor of the Amanda Township treasury.

2. John Whitling, Township Trustee, whose current term began January 1, 2002, received the benefit of a mid-term increase of \$300 in insurance reimbursements during 2005.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery is hereby rendered against Township Trustee John Whitling, Fiscal Officer Jennifer Schwartz, and their bonding company, Ohio Township Association Risk Management Authority, jointly and severally, for money illegally expended in the amount of Three Hundred Dollars (\$300), and in favor of the Amanda Township treasury.

Officials' Response:

These findings were repaid on receipt numbers 119 and 120, dated November 15, 2006 and deposited into the Township treasury on the same date.

FINDING NUMBER 2005-003

NON COMPLIANCE CITATION

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon 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.

A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. An increased amended certificate must be obtained if the excess is appropriated and expended.

The Township should have obtained an increased amended certificate for the Capital Project Fund and the Debt Service Fund during 2004. Actual receipts exceeded budgeted receipts by \$70,857 and \$3,622, respectively, and the excess was appropriated and expended. A reduced amended certificate should have been obtained for the following funds in 2004 because the deficiency reduced available resources below the current level of appropriation.

Fund 2004	Actual Available Resources	Appropriations	Variance
General Fund	\$93,927	\$101,654	(\$7,727)
Road and Bridge Fund	31,486	106,583	(75,097)
Cemetery Fund	9,715	14,459	(4,744)

Procedures should be developed to actively monitor the budgetary process, and the budget versus actual reports should be reviewed monthly by the Board.

Officials' Response:

We will make every effort to comply with the above section in the future.

FINDING NUMBER 2005-004

NON COMPLIANCE CITATION

Ohio Rev. Code Section 5705.38 (A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Board did not adopt a permanent appropriation measure for 2005. This resulted in all expenditures being in excess of appropriations. Additionally, such expenditures were not considered to be legal. Refer to Note 3 in the Notes to the Financial Statements.

The Board must adopt a permanent appropriation measure for each year prior to April 1. The adoption of the permanent appropriation measure should be documented in the minutes.

Officials' Response:

We will make every effort to comply with the above section in the future.

FINDING NUMBER 2005-005

NON COMPLIANCE CITATION

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2004, expenditures were in excess of appropriations in the Capital Projects Fund by \$70,857 and the Debt Service Fund by \$7,120. During 2005, expenditures were in excess of appropriations for all funds in the amount of the total expenditure from each fund due to the fact that appropriations were not approved by the Board. See Note 3 in the Notes to the Financial Statements.

Procedures should be developed to monitor the budgetary process, and the budget versus actual reports should be reviewed monthly by the Board.

Officials' Response:

We will make every effort to comply with the above section in the future.

FINDING NUMBER 2005-006

NON COMPLIANCE CITATION

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**FINDING NUMBER 2005-006
(Continued)**

- 3. Super Blanket certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

During 2005 and 2004, the Township did not properly certify the availability of funds for 37 percent and 43 percent, respectively, of the transactions tested and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Township should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used.

The Township should certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer and Trustees should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied.

Officials' Response:

We will make every effort to comply with the above section in the future.

**AMANDA TOWNSHIP
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	ORC 5705.10 – Motor vehicle license tax receipts posted to General Fund	No	Partially corrected - \$1,071 still posted incorrectly, reported in a separate letter to management of the Township.
2003-002	ORC 5705.36 – Amended Certificates	No	Repeated as 2005-003
2003-003	ORC 5705.41(B) – Expenditures in Excess of Appropriations	No	Repeated as 2005-005
2003-004	ORC 5705.41(D) – Prior Certification	No	Repeated as 2005-006



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AMANDA TOWNSHIP

ALLEN 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
DECEMBER 5, 2006**