



**Auditor of State
Betty Montgomery**

ATWATER TOWNSHIP
PORTAGE COUNTY

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**Auditor of State
Betty Montgomery**

Atwater Township
Portage County
869 Stroup Road
Atwater, Ohio 44201

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 cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 8, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Atwater Township
Portage County
869 Stroup Road
Atwater, Ohio 44201

To the Board of Trustees:

We have audited the accompanying financial statements of Atwater Township, Portage County, (the Township) as of and for the years ended December 31, 2004 and 2003. 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger major funds separately for 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 this 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Atwater Township, Portage County, as of December 31, 2004 and 2003, 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, 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 November 8, 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

November 8, 2006

**ATWATER TOWNSHIP
PORTAGE 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>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Local Taxes | \$88,332 | \$165,045 | \$0 | \$253,377 |
| Intergovernmental | 71,951 | 93,637 | 67,987 | 233,575 |
| Special Assessments | | 2,219 | | 2,219 |
| Charges for Services | | 20,367 | | 20,367 |
| Licenses, Permits, and Fees | | 9,045 | | 9,045 |
| Earnings on Investments | 766 | 103 | | 869 |
| Other Revenue | <u>21,524</u> | <u>16,616</u> | | <u>38,140</u> |
| Total Cash Receipts | <u>182,573</u> | <u>307,032</u> | <u>67,987</u> | <u>557,592</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 170,833 | 2,831 | | 173,664 |
| Public Safety | 1,244 | 63,856 | | 65,100 |
| Public Works | 4,402 | 192,532 | 67,987 | 264,921 |
| Health | 367 | 2,443 | | 2,810 |
| Redemption of Principal | 17,500 | 51,794 | | 69,294 |
| Interest and Fiscal Charges | 9,112 | 2,410 | | 11,522 |
| Capital Outlay | | <u>19,527</u> | | <u>19,527</u> |
| Total Cash Disbursements | <u>203,458</u> | <u>335,393</u> | <u>67,987</u> | <u>606,838</u> |
| Total Receipts Over/(Under) Disbursements | <u>(20,885)</u> | <u>(28,361)</u> | <u>0</u> | <u>(49,246)</u> |
| Other Financing Receipts and (Disbursements): | | | | |
| Sale of Fixed Asset | | 3,145 | | 3,145 |
| Transfers-In | | 5,000 | | 5,000 |
| Transfers-Out | (5,000) | | | (5,000) |
| Other Sources | | <u>1,511</u> | | <u>1,511</u> |
| Total Other Financing Receipts/(Disbursements) | <u>(5,000)</u> | <u>9,656</u> | <u>0</u> | <u>4,656</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (25,885) | (18,705) | 0 | (44,590) |
| Fund Cash Balances, January 1 | <u>99,955</u> | <u>226,139</u> | <u>0</u> | <u>326,094</u> |
| Fund Cash Balances, December 31 | <u>\$74,070</u> | <u>\$207,434</u> | <u>\$0</u> | <u>\$281,504</u> |

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

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Local Taxes | \$72,056 | \$151,477 | \$223,533 |
| Intergovernmental | 119,338 | 82,104 | 201,442 |
| Special Assessments | | 2,305 | 2,305 |
| Charges for Services | | 18,999 | 18,999 |
| Licenses, Permits, and Fees | | 10,720 | 10,720 |
| Earnings on Investments | 827 | 188 | 1,015 |
| Other Revenue | 16,887 | 11,734 | 28,621 |
| | <u>209,108</u> | <u>277,527</u> | <u>486,635</u> |
| Total Cash Receipts | | | |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | 116,631 | 5,566 | 122,197 |
| Public Safety | 1,999 | 81,535 | 83,534 |
| Public Works | 700 | 114,579 | 115,279 |
| Health | 5,044 | 1,780 | 6,824 |
| Debt Service: | | | |
| Redemption of Principal | 17,500 | 51,794 | 69,294 |
| Interest and Fiscal Charges | 10,113 | 7,198 | 17,311 |
| Capital Outlay | 230 | 46,668 | 46,898 |
| | <u>152,217</u> | <u>309,120</u> | <u>461,337</u> |
| Total Cash Disbursements | | | |
| Total Receipts Over/(Under) Disbursements | 56,891 | (31,593) | 25,298 |
| Fund Cash Balances, January 1 (See Note #3) | <u>43,064</u> | <u>257,732</u> | <u>300,796</u> |
| Fund Cash Balances, December 31 | <u>\$99,955</u> | <u>\$226,139</u> | <u>\$326,094</u> |

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

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 Atwater Township, Portage 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 Portage County Sheriff's Department to provide security of persons and property.

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. 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 does not hold any investments. They maintain an interest bearing checking account as the only means of interest income.

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.

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

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire District Fund – This fund receives property tax money for the general operation of the Fire/EMT Departments.

3. Capital Project Funds

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project fund:

Issue II Fund - The Township received a grant from the State of Ohio to repair and reconstruct roads.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. 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 2004 and 2003 budgetary activity appears in Note 4.

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.

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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:

| | | |
|-----------------|-----------|-----------|
| | 2004 | 2003 |
| Demand deposits | \$281,504 | \$326,094 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

3. PRIOR PERIOD RESTATEMENT

The Township's accounting system was not in agreement with the fund balances on their prior audited financial statements 2001-2002. As a result, in order for the Township's total fund balances, bank balances, and financial statement balances to all be in agreement at December 31, 2002, the General Fund balance was adjusted by \$1,009 and the Special Revenue Fund balance was adjusted by \$453.

| | General Fund | Special Revenue Fund |
|---|--------------|----------------------|
| Fund Cash Balances, December 31, 2002 (Before Adjustment) | \$44,073 | \$258,185 |
| Adjustments made by Township | (1,009) | (453) |
| Fund Cash Balances, January 1, 2003 | \$43,064 | \$257,732 |

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|----------|
| General | \$156,748 | \$182,573 | \$25,825 |
| Special Revenue | 274,823 | 316,688 | 41,865 |
| Capital Projects | 124,000 | 67,987 | (56,013) |
| Total | \$555,571 | \$567,248 | \$11,677 |

2004 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|-----------|
| General | \$252,331 | \$208,458 | \$43,873 |
| Special Revenue | 500,962 | 335,393 | 165,569 |
| Capital Projects | 128,372 | 67,987 | 60,385 |
| Total | \$881,665 | \$611,838 | \$269,827 |

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. BUDGETARY ACTIVITY – (Continued)

| 2003 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$172,635 | \$209,108 | \$36,473 |
| Special Revenue | 269,007 | 277,527 | 8,520 |
| Total | \$441,642 | \$486,635 | \$44,993 |

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$209,309 | \$152,217 | \$57,092 |
| Special Revenue | 518,636 | 309,120 | 209,516 |
| Total | \$727,945 | \$461,337 | \$266,608 |

5. 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. 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.

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

| | Principal | Interest Rate |
|----------------------------|-----------|---------------|
| Truck Note | \$10,444 | 6.25% |
| Fire Station Addition Note | 41,350 | 4.25% |
| Town Hall Note | 140,000 | 6.00% |
| Total | \$191,794 | |

The truck note was issued to finance the purchase of a 1 ton truck to be used for road maintenance. The fire station note was issued to expand the existing fire station. The town hall note was issued to build a completely new town hall. This debt is backed by the full faith of the Township.

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT – (Continued)

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

| Year ending December 31: | Truck | Fire Station Addition | Town Hall |
|--------------------------|----------|--------------------------|-----------|
| 2005 | \$11,098 | \$44,865 | \$21,747 |
| 2006 | | | 21,216 |
| 2007 | | | 20,686 |
| 2008 | | | 20,169 |
| 2009 | | | 19,623 |
| 2010 – 2012 | | | 55,688 |
| Total | \$11,098 | \$44,865 | \$159,129 |

7. 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, 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, 2004.

8. RISK MANAGEMENT

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. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships 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 \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. RISK MANAGEMENT - (Continued)

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.

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 2004 and 2003:

| <u>Casualty Coverage</u> | <u>2004</u> | <u>2003</u> |
|--------------------------|---------------------|---------------------|
| Assets | \$30,687,203 | \$27,792,223 |
| Liabilities | <u>(13,640,962)</u> | <u>(11,791,300)</u> |
| Retained earnings | <u>\$17,046,241</u> | <u>\$16,000,923</u> |

| <u>Property Coverage</u> | <u>2004</u> | <u>2003</u> |
|--------------------------|--------------------|--------------------|
| Assets | \$7,799,073 | \$6,791,060 |
| Liabilities | <u>(753,906)</u> | <u>(750,956)</u> |
| Retained earnings | <u>\$7,045,167</u> | <u>\$6,040,104</u> |



**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***

Atwater Township
Portage County
869 Stroup Road
Atwater, Ohio 44201

To the Board of Trustees:

We have audited the financial statements of Atwater Township, Portage County, (the Township) as of and for the years ended December 2004, and 2003, and have issued our report thereon dated November 8, 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Township's management dated November 8, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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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* are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the Township's management dated November 8, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management, and the Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

November 8, 2006

ATWATER TOWNSHIP
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

Finding for Recovery

Fire Chief Payroll Overpayment:

The Township Trustees adopted a resolution to establish the duties and compensation of the Fire Chief, Mr. Lynn Whittlesey. The resolution states the Fire Chief (volunteer), is hired by the Township to perform mechanical duties for the fire department. Mr. Whittlesey stated for the past 10 years he has been including time spent performing the duties as the Fire Chief also on his payroll time sheets. The Trustees had not passed a resolution authorizing payment for performing the duties as the Fire Chief. Review of the time sheets indicated Mr. Whittlesey worked a total of 195 hours in 2003 and 410 hours in 2004 of which 123.5 hours and 292 hours for 2003 and 2004 respectively were unallowed. During the audit period he received an over payment of \$4,340.97.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against, Mr. Lynn Whittlesey, Fire Chief, in favor of Atwater Township Fire Fund in the amount of four thousand three hundred and forty dollars and ninety seven cents.

This Finding for Recovery was repaid under audit.

Client Response: Since Mr. Whittlesey 's admission, Mr. Whittlesey has reimbursed the Township for the unauthorized payroll payments, for the years 2003 and 2004, in the amount of \$4,340.97. Mr. James Conley, Trustee plans to pursue the appropriate legal remedies to recoup the monies, owed the Township, by Mr. Whittlesey, for the remaining eight years for which he received unauthorized payroll payments.

FINDING NUMBER 2004-002

Certification of the Availability of Funds

Ohio Rev. Code Section 5705.41 (D), states no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal officer is attached. The fiscal officer must certify 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.

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" at the time that he is completing his certification "now", 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

**FINDING NUMBER 2004-002
(Continued)**

Amounts of less than \$100 for counties, or less than \$3,000 (\$1,000 prior to April 7, 2003) for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.
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 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 line item appropriation.

The Township did not always certify funds were available at the time of the commitment. We noted 56% of the expenditures tested were not properly certified. Incurring obligations prior to the fiscal officer's certification could result in the Township spending more than appropriated.

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, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Client Response: The Township Officials have acknowledged this finding as presented and will develop procedures to correct this issue.

FINDING NUMBER 2004-003

Reportable Condition – Township Not Reconciled

The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. This includes ensuring that recorded assets exist as of fiscal year end, recorded transactions have occurred and are not fictitious, as well as ensuring that all account balances and transactions that should be included in the financial records are included. To achieve these assertions, management should consider the following internal controls:

- Ensuring that all transactions are properly authorized in accordance with management's policies;
- Ensuring that accounting records are properly designed;
- Ensuring adequate security of assets and records;
- Planning for adequate segregation of duties or compensating controls;
- Verifying the existence and valuation of assets and periodically reconcile them to the accounting records;
- Performing analytical procedures to determine the reasonableness of financial data; and
- Ensuring the collection and compilation of the data needed for the timely preparation of financial statements.

During 2003 and 2004 the Township closed out its books each month, however, they did not properly reconcile their fund balances to their bank balances. Because the Township was not properly reconciled, we issued a 90 day letter for the Township to allow time for the Township to properly reconcile their fund balances and bank balances.

The Township hired a Certified Public Accounting Firm to aid them in getting their accounting system reconciled with their bank balances. The Firm noted numerous errors in the Township's accounting system throughout 2003 and 2004, including incorrect and duplicate postings, along with transactions not being posted at all. As a result of these errors, the Township's fund balances were understated, when compared to their bank balances, in 2003 and 2004 by \$58.73 and \$57.73, respectively.

Client Response: The Township Officials have acknowledged this finding and will develop procedures to correct this issue.

ATWATER TOWNSHIP
PORTAGE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|----------------------------|------------------|--|
| 2002-41167-001 | Ohio Rev. Code 5705.41(D) | No | See finding number 2004-001 |
| 2002-41167-002 | Ohio Rev. Code 5705.41 (B) | Yes | |



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ATWATER TOWNSHIP

PORTAGE 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 7, 2006**