



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Sylvania Township
Lucas County
4927 Holland-Sylvania Road
Sylvania, Ohio 43560-2121

To the Board of Trustees:

We have audited the accompanying financial statements of Sylvania Township (the Township) as of and for the year ended December 31, 2001. This financial statement is the responsibility of the Township's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As 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 reserves for encumbrances of the Township as of December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

June 25, 2002

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$499,187	\$8,199,941		\$8,699,128
Intergovernmental	1,550,632	1,859,114	\$145,239	3,554,985
Special Assessments			259,484	259,484
Charges for Services		582,441		582,441
Licenses, Permits, and Fees	290,329	7,555		297,884
Fines, Forfeitures, and Penalties		18,284		18,284
Earnings on Investments	117,765	13,063		130,828
Other Revenue	34,985	438,099		473,084
	<u>2,492,898</u>	<u>11,118,497</u>	<u>404,723</u>	<u>14,016,118</u>
Total Cash Receipts				
	<u>2,492,898</u>	<u>11,118,497</u>	<u>404,723</u>	<u>14,016,118</u>
Cash Disbursements:				
Current:				
General Government	1,634,538			1,634,538
Public Safety		9,250,865		9,250,865
Public Works		1,462,669	416,926	1,879,595
Health	142,704	8,636		151,340
Human Services		1,408,993		1,408,993
Conservation - Recreation	43,941			43,941
Capital Outlay	699	1,006,033		1,006,732
	<u>1,821,882</u>	<u>13,137,196</u>	<u>416,926</u>	<u>15,376,004</u>
Total Cash Disbursements				
	<u>1,821,882</u>	<u>13,137,196</u>	<u>416,926</u>	<u>15,376,004</u>
Total Receipts Over/(Under) Disbursements	<u>671,016</u>	<u>(2,018,699)</u>	<u>(12,203)</u>	<u>(1,359,886)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Bonds		1,135,000		1,135,000
Sale of Notes	1,500,000			1,500,000
Transfers-In		2,290,897		2,290,897
Transfers-Out	(2,290,897)			(2,290,897)
Loan to Sylvania Township Water and Sewer District	(120,000)			(120,000)
Other Sources		1,200		1,200
	<u>(910,897)</u>	<u>3,427,097</u>		<u>2,516,200</u>
Total Other Financing Receipts/(Disbursements)				
	<u>(910,897)</u>	<u>3,427,097</u>		<u>2,516,200</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(239,881)</u>	<u>1,408,398</u>	<u>(12,203)</u>	<u>1,156,314</u>
Fund Cash Balances, January 1	<u>677,870</u>	<u>1,528,230</u>	<u>403,402</u>	<u>2,609,502</u>
Fund Cash Balances, December 31	<u><u>\$437,989</u></u>	<u><u>\$2,936,628</u></u>	<u><u>\$391,199</u></u>	<u><u>\$3,765,816</u></u>
Reserve for Encumbrances, December 31	<u><u>\$10,066</u></u>	<u><u>\$786,249</u></u>		<u><u>\$796,315</u></u>

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

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**SYLVANIA TOWNSHIP
LUCAS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Sylvania Township (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, police and fire protection, and emergency medical services. The Township established the Sylvania Township Water and Sewer District to provide water and sewer services, see B below.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Related Organization

The Township formed the Sylvania Township Water and Sewer District (the "District") under the authority of Ohio Revised Code § 6119. The District Board of Trustees is composed of five members, four (4) of whom are appointed by the Township and one (1) appointed by the Lucas County Commissioners. Funding for the District has been initially provided by a loan agreement with the Township. Tap-in fees are collected by the District to pay for constructing, maintaining, repairing, and operating a sewer system. The District is not currently fiscally independent of the Township. See Note 5 for additional information.

C. Jointly Governed Organization

The Township, in conjunction with the City of Sylvania and the Sylvania City School District, formed the Sylvania Area Joint Recreation District (SAJRD) under the authority of Ohio Revised Code § 755.14(C). The SAJRD Board of Trustees is composed of twelve members, four of whom are appointed by each of the three separate government entities identified above. Funding for the SAJRD is provided by a voter-approved tax levy on all real property located within the Township. Taxes are collected by the Lucas County Auditor and remitted to the SAJRD Board of Trustees. The SAJRD is fiscally independent of the Township and the SAJRD's financial statements have not been included within the Township's reporting entity.

D. 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.

E. Cash and Investments

U.S. Treasury Notes are valued at cost. Money market mutual funds sweep account is recorded at share values reported by the mutual fund.

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

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

F. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Police District Fund - This fund receives property tax money for police protection.

Fire District Fund - This fund receives property tax money to pay for fire protection and emergency medical services.

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 fund:

Lighting District Fund - This fund receives special assessments to maintain and operate street lights.

Issue II Fund - The Township received a grant from the State of Ohio to realign Corey Road.

G. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(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 carried over, and need not be reappropriated.

A summary of 2001 budgetary activity appears in Note 3.

H. 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.

I. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2001</u>
Demand deposits	\$62,000
Money Market Mutual Fund	1,218,174
U.S. Treasury Notes	<u>2,485,642</u>
Total investments	<u>3,703,816</u>
Total deposits and investments	<u><u>\$3,765,816</u></u>

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

Investments: U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

Money Market Mutual Fund investments are not evidenced by securities that exist in physical or book entry form.

3. BUDGETARY ACTIVITY

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

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

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

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,380,000	\$3,992,898	\$1,612,898
Special Revenue	12,513,551	14,545,594	2,032,043
Capital Projects	290,000	404,723	114,723
Total	\$15,183,551	\$18,943,215	\$3,759,664

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,088,291	\$4,242,845	(\$1,154,554)
Special Revenue	14,011,361	13,923,445	87,916
Capital Projects	693,401	416,926	276,475
Total	\$17,793,053	\$18,583,216	(\$790,163)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$1,154,554 and \$1,104,242 in the Senior Center Operating fund (Special Revenue Fund) for the year ended December 31, 2001.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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. RELATED PARTY TRANSACTIONS

The Township has agreed to loan the Sylvania Township Water and Sewer District up to \$1,500,000, at an annual interest rate of 6%, for the purpose of constructing, maintaining and operating a sanitary sewer system. The loan is payable at such time as mutually agreed upon by the Township and the Water and Sewer District. Loans made during fiscal year 2001 totaled \$120,000. As of December 31, 2001, the Water and Sewer District owes the Township \$1,036,397.

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

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

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$1,135,000	3.05%
General Obligation Notes	1,500,000	3.34%
Total	\$2,635,000	

The general obligation bonds were issued to finance the construction of the Senior Center. The bonds are collateralized solely by the Township's taxing authority. The general obligation notes were issued to acquire, renovate and expand land and two buildings for Township police and fire purposes. The notes are collateralized solely by the Township's taxing authority.

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

Year ending December 31:	General Obligation Bonds	General Obligation Notes
2002	\$1,135,000	\$1,500,000

7. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement 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 2001, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries through December 31, 2001. The Township has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

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

9. CONTINGENT LIABILITIES

The Township is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

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

Sylvania Township
Lucas County
4927 Holland-Sylvania Road
Sylvania, Ohio 43560-2121

To the Board of Trustees:

We have audited the accompanying financial statements of Sylvania Township (the Township) as of and for the year ended December 31, 2001, and have issued our report thereon dated June 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item *2001-40148-001*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 25, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Sylvania Township
Lucas County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

June 25, 2002

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001**

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

FINDING NUMBER 2001-40148-001

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states that no subdivision is to expend money unless it has been appropriated.

During 2001, budgetary expenditures exceeded appropriation authority by \$1,154,554 in the General fund and \$1,104,242 in the Senior Center Operating fund (Special Revenue Fund).

The Township Clerk should deny payment requests exceeding appropriations. The Clerk may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-40148-001	OMB Circular A-133 ¶ 300(a) and (e): Required annual report and single audit	Yes	



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

SYLVANIA TOWNSHIP

LUCAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 13, 2002**