



**Auditor of State
Betty Montgomery**

**SWITZERLAND TOWNSHIP
MONROE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Switzerland Township
Monroe County
50830 German Ridge Road
Powhatan Point, Ohio 43942

To the Board of Trustees:

We have audited the accompanying financial statements of Switzerland Township, Monroe County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our 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 of Switzerland Township, Monroe County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2003, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Switzerland Township
Monroe County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

Betty Montgomery
Auditor of State

June 2, 2003

**SWITZERLAND TOWNSHIP
MONROE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Local Taxes	\$15,981	\$14,517	\$	\$30,498
Intergovernmental	16,261	56,699	8,400	81,360
Earnings on Investments	37	56		93
Other Revenue	25	393		418
Total Cash Receipts	32,304	71,665	8,400	112,369
Cash Disbursements:				
Current:				
General Government	18,544			18,544
Public Safety	1,555			1,555
Public Works		76,082		76,082
Health	6,087			6,087
Debt Service:				
Redemption of Principal			7,270	7,270
Interest and Fiscal Charges			1,142	1,142
Total Cash Disbursements	26,186	76,082	8,412	110,680
Total Cash Receipts Over/(Under) Cash Disbursements	6,118	(4,417)	(12)	1,689
Other Financing Receipts/(Disbursements):				
Transfers-In		5,151		5,151
Transfers-Out	(5,151)			(5,151)
Total Other Financing Receipts/(Disbursements)	(5,151)	5,151	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	967	734	(12)	1,689
Fund Cash Balances, January 1	4,876	14,188	4,305	23,369
Fund Cash Balances, December 31	\$5,843	\$14,922	\$4,293	\$25,058

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

**SWITZERLAND TOWNSHIP
MONROE 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**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Local Taxes	\$16,334	\$14,849	\$	\$31,183
Intergovernmental	22,464	55,260	8,400	86,124
Earnings on Investments	125	288		413
Other Revenue	85	1,105		1,190
Total Cash Receipts	39,008	71,502	8,400	118,910
Cash Disbursements:				
Current:				
General Government	18,624			18,624
Public Safety	1,455			1,455
Public Works		81,537		81,537
Health	5,501			5,501
Debt Service:				
Redemption of Principal			6,923	6,923
Interest and Fiscal Charges			1,489	1,489
Total Cash Disbursements	25,580	81,537	8,412	115,529
Total Cash Receipts Over/(Under) Cash Disbursements	13,428	(10,035)	(12)	3,381
Other Financing Receipts/(Disbursements):				
Transfers-In		10,829		10,829
Transfers-Out	(10,829)			(10,829)
Total Other Financing Receipts/(Disbursements)	(10,829)	10,829	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	2,599	794	(12)	3,381
Fund Cash Balances, January 1	2,277	13,394	4,317	19,988
Fund Cash Balances, December 31	\$4,876	\$14,188	\$4,305	\$23,369

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

**SWITZERLAND TOWNSHIP
MONROE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Switzerland Township, Monroe County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Clarington Volunteer Fire Department and the Beallsville Community Volunteer Fire Department to provide fire services, and the Village of Powhatan Point for fire and 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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

General Note Retirement Fund - This fund receives gasoline tax money to pay principal and interest payments associated with Township note debt.

**SWITZERLAND TOWNSHIP
MONROE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and function 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.

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

E. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	<u>2002</u>	<u>2001</u>
Demand deposits	<u>\$25,058</u>	<u>\$23,369</u>

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

**SWITZERLAND TOWNSHIP
MONROE COUNTY**

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

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$25,506	\$32,304	\$6,798
Special Revenue	75,225	76,816	1,591
Debt Service	8,484	8,400	(84)
Total	<u>\$109,215</u>	<u>\$117,520</u>	<u>\$8,305</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$35,533	\$31,337	\$4,196
Special Revenue	89,414	76,082	13,332
Debt Service	12,789	8,412	4,377
Total	<u>\$137,736</u>	<u>\$115,831</u>	<u>\$21,905</u>

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,153	\$39,008	\$11,855
Special Revenue	84,283	82,331	(1,952)
Debt Service	8,400	8,400	0
Total	<u>\$119,836</u>	<u>\$129,739</u>	<u>\$9,903</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$41,636	\$36,409	\$5,227
Special Revenue	97,678	81,537	16,141
Debt Service	12,718	8,412	4,306
Total	<u>\$152,032</u>	<u>\$126,358</u>	<u>\$25,674</u>

Contrary to Ohio Law, appropriations in the General Fund exceeded total estimated resources at December 31, 2002 and 2001, in the amounts of \$5,150 and \$12,206, respectively.

**SWITZERLAND TOWNSHIP
MONROE COUNTY**

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

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Township.

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

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

5. DEBT

Debt outstanding at December 31, 2002, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note	<u>\$15,638</u>	5%

The general obligation note was issued to finance the purchase of a tractor and boom mower to be used for Township road maintenance. 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 Note
2003	\$8,412
2004	8,412
	<u>\$16,824</u>

6. RETIREMENT SYSTEM

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2002.

**SWITZERLAND TOWNSHIP
MONROE COUNTY**

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

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio townships. OTARMA provides property and casualty insurance 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 member's deductibles.

Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

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

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000, if the annual aggregate is reached and all specific losses exceed \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	<u>9,197,512</u>	<u>9,379,003</u>
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>
<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	<u>(1,204,326)</u>	<u>647,667</u>
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

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Auditor of State Betty Montgomery

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

Switzerland Township
Monroe County
50830 German Ridge Road
Powhatan Point, Ohio 43942

To the Board of Trustees:

We have audited the accompanying financial statements of Switzerland Township, Monroe County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 2, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings as item 2002-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated June 2, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 2, 2003.

Switzerland Township
Monroe County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of 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 that reads "Betty Montgomery". The script is cursive and fluid, with the first letters of the first and last names being capitalized and prominent.

Betty Montgomery
Auditor of State

June 2, 2003

**SWITZERLAND TOWNSHIP
MONROE COUNTY**

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

<p>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
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FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code § 5705.39 requires appropriations from each fund to be limited to total estimated resources. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

During 2002 and 2001, appropriations exceeded estimated resources in the General Fund by \$5,150 and \$12,206, respectively.

Prior to the Board authorizing the original appropriations or approving any amendments, we recommend the Township compare proposed appropriations with the Certificate of Estimated Resources to ensure that appropriations will not exceed the Township's estimated resources.

**SWITZERLAND TOWNSHIP
MONROE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-41056-001	Ohio Rev. Code 5705.39 – appropriations exceeding estimated resources	No	Not corrected; repeated as Finding 2002-001.
2000-41056-002	Ohio Rev. Code Section 5705.41 (B) – expenditures exceeded appropriations in the Gasoline Fund.	Yes	N/A.



**Auditor of State
Betty Montgomery**

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SWITZERLAND TOWNSHIP

MONROE 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 Bablitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 5, 2003**