



**Auditor of State
Betty Montgomery**

**VENICE TOWNSHIP
SENECA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Venice Township
Seneca County
14215 E. Township Rd. 86
P.O. Box 86
Attica, Ohio 44807-0086

To the Board of Trustees:

We have audited the accompanying financial statements of Venice Township, Seneca County, (the Township) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township 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 19, 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.

Venice Township
Seneca County
Independent Accountants' Report
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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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 19, 2003

**VENICE TOWNSHIP
SENECA 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**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$16,757	\$51,604		\$68,361
Intergovernmental	41,152	75,115		116,267
Earnings on Investments	794	397		1,191
Total Cash Receipts	<u>58,703</u>	<u>127,116</u>		<u>185,819</u>
Cash Disbursements:				
Current:				
General Government	81,249			81,249
Public Safety	432			432
Public Works		129,332		129,332
Health	1,337			1,337
Debt Service:				
Redemption of Principal		7,000		7,000
Interest and Fiscal Charges		1,015		1,015
Capital Outlay	744			744
Total Cash Disbursements	<u>83,762</u>	<u>137,347</u>		<u>221,109</u>
Total Disbursements Over Receipts	<u>(25,059)</u>	<u>(10,231)</u>		<u>(35,290)</u>
Other Financing Receipts:				
Other Sources	5,282			5,282
Total Other Financing Receipts	<u>5,282</u>			<u>5,282</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(19,777)	(10,231)		(30,008)
Fund Cash Balances, January 1	<u>48,504</u>	<u>52,873</u>	<u>\$103</u>	<u>101,480</u>
Fund Cash Balances, December 31	<u>\$28,727</u>	<u>\$42,642</u>	<u>\$103</u>	<u>\$71,472</u>
Reserve for Encumbrances, December 31	<u>\$501</u>	<u>\$220</u>		<u>\$721</u>

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

**VENICE TOWNSHIP
SENECA 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>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$17,665	\$52,760			\$70,425
Intergovernmental	110,994	79,355		\$15,527	205,876
Earnings on Investments	1,076	80			1,156
Other Revenue		246			246
	<u>129,735</u>	<u>132,441</u>		<u>15,527</u>	<u>277,703</u>
Cash Disbursements:					
Current:					
General Government	60,825				60,825
Public Safety	743				743
Public Works	12	133,413			133,425
Health	4,484				4,484
Debt Service:					
Redemption of Principal			\$33,633		33,633
Interest and Fiscal Charges			532		532
Capital Outlay	1,487	26,866		15,527	43,880
	<u>67,551</u>	<u>160,279</u>	<u>34,165</u>	<u>15,527</u>	<u>277,522</u>
Total Receipts Over/(Under) Disbursements	<u>62,184</u>	<u>(27,838)</u>	<u>(34,165)</u>		<u>181</u>
Other Financing Receipts and (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes		21,000			21,000
Transfers-In			34,165		34,165
Transfers-Out	(34,165)				(34,165)
Other Sources	866	8,491			9,357
	<u>(33,299)</u>	<u>29,491</u>	<u>34,165</u>		<u>30,357</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	28,885	1,653			30,538
Fund Cash Balances, January 1	19,619	51,220		103	70,942
Fund Cash Balances, December 31	<u>\$48,504</u>	<u>\$52,873</u>		<u>\$103</u>	<u>\$101,480</u>
Reserve for Encumbrances, December 31					

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

**VENICE TOWNSHIP
SENECA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Venice Township, Seneca 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 general governmental services, including road and bridge maintenance.

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 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:

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.

3. Debt Service Funds

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:

**VENICE TOWNSHIP
SENECA COUNTY**

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

General Note Retirement Fund - This fund receives money from the general fund to pay the note and interest for the new truck.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

Issue II Fund - The Township receives grants from the State of Ohio, through the Seneca County Engineer, to repair roads.

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

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

F. 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.

G. 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.

**VENICE TOWNSHIP
SENECA COUNTY**

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

2. EQUITY IN POOLED CASH

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

	2002	2001
Demand deposits	\$71,472	\$101,480

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township.

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	\$112,331	\$63,985	(\$48,346)
Special Revenue	157,300	127,116	(30,184)
Total	\$269,631	\$191,101	(\$78,530)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$144,497	\$83,763	\$60,734
Special Revenue	223,497	137,567	85,930
Total	\$367,994	\$221,330	\$146,664

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$108,384	\$130,601	\$22,217
Special Revenue	121,500	161,932	40,432
Debt Service		34,165	34,165
Capital Projects	20,000	15,527	(4,473)
Total	\$249,884	\$342,225	\$92,341

**VENICE TOWNSHIP
SENECA COUNTY**

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

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$127,678	\$101,716	\$25,962
Special Revenue	172,721	160,279	12,442
Debt Service		34,165	(34,165)
Capital Projects	20,103	15,527	4,576
Total	\$320,502	\$311,687	\$8,815

The Township did not always certify expenditures in accordance with Ohio Revised Code § 5705.41(D). Also, contrary to Ohio law, budgetary expenditures exceeded appropriations for the general debt retirement fund by \$34,165 in FY 2001 and the road and bridge fund by \$21,431 in FY 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.

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:

	Principal	Interest Rate
General Obligation Notes	\$14,000	5%

The general obligation notes were issued to finance the purchase of a new tractor to be used for Township road maintenance. The notes are collateralized solely by the Township's taxing authority.

**VENICE TOWNSHIP
SENECA COUNTY**

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

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

Year ending December 31:	General Obligation Notes
2003	\$7,700
2004	7,350
Total	\$15,050

6. RETIREMENT SYSTEMS

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

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

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100 percent, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

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**Auditor of State
Betty Montgomery**

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

Venice Township
Seneca County
14215 E. Township Rd. 86
P.O. Box 86
Attica, Ohio 44807-0086

To the Board of Trustees:

We have audited the accompanying financial statements of Venice Township, Seneca County, (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 19, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001, 2002-002 and 2002-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 19, 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 19, 2003.

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 signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 19, 2003

**VENICE TOWNSHIP
SENECA COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Finding for Adjustment

Ohio Revised Code § 5705.09 provides for establishing special revenue funds and Ohio Revised Code § 5735.27(A)(5) provides for gasoline excise tax revenues. The Township established a Motor Vehicle License Fund, Gasoline Tax Fund, and Road and Bridge Fund to account for these revenues. Ohio Revised Code § 5549.21 provides that road maintenance and equipment shall be paid from the township road fund. During fiscal year 2001, the Township Clerk credited revenues to the General Fund or to other inappropriate funds. The Clerk also paid for road maintenance and equipment from the General Fund. Based on these requirements, the following fund balance adjustments were made to the financial statements: General Fund \$13,633.88; General Debt Retirement Fund (\$309.88); Motor Vehicle License Fund \$2,040.43; Gasoline Tax Fund \$4,265.12; Permissive Tax Fund \$887.61; and Road and Bridge Fund (\$20,517.16). The Township Trustees also failed to monitor the activity to ensure the transactions were properly recorded. We recommend the Township Clerk review the requirements for the funds established and the Township Trustees review the actions taken to ensure the appropriate funds are credited and charged for the transactions.

FINDING NUMBER 2002-002

Noncompliance Citation

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

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

- a. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- b. If the amount involved is less than \$1,000 (\$3,000 after 4/7/03), the fiscal officer may authorize it to be paid without the affirmation of the Board, if such expenditure is otherwise valid.

Out of sixty transactions tested, 63 percent were not certified by the fiscal officer at the time the commitment was incurred nor were they certified using then and now certification. To improve controls over disbursements we recommend that all Township disbursements receive certification of the fiscal officer that the funds are or will be available.

FINDING NUMBER 2002-003

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states no subdivision shall make any expenditure of money unless it has been appropriated. Expenditures exceeded appropriations for the following funds:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Variance Amount</u>
2001			
Road and Bridger Fund	\$80,434	\$59,003	(\$21,431)
General Note Retirement Fund	34,165		(34,165)

This could result in overspending the fund cash balance. We recommend appropriation amendments be obtained prior to the overspending of the fund's current appropriations.

**VENICE TOWNSHIP
SENECA 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>
2000-40574-001	ORC § 5705.41(D) Failure to certify expenditures	No	Reissued as finding 2002-001.



**Auditor of State
Betty Montgomery**

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800-282-0370

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VENICE TOWNSHIP

SENECA 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 5, 2003**