



**Auditor of State
Betty Montgomery**

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Sylvania Township, Lucas County, (the Township) as of and for the years ended December 31, 2003 and 2002. 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 and reserves for encumbrances of the Township as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 11, the Township reclassified its street lighting special assessment fund from a capital projects fund to a special revenue fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2004 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 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 signature is written in a cursive, flowing style.

Betty Montgomery
Ohio Auditor of State

October 25, 2004

**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, 2003**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Local Taxes	\$ 530,621	\$ 10,350,388		\$ 10,881,009
Intergovernmental	1,185,069	2,432,530		3,617,599
Special Assessments		291,670		291,670
Charges for Services		3,684		3,684
Licenses, Permits, and Fees	351,321	13,891		365,212
Earnings on Investments	33,676	3,742		37,418
Other Revenue	191,643	120,965		312,608
Total Cash Receipts	2,292,330	13,216,870		15,509,200
Cash Disbursements:				
Current:				
General Government	1,667,900			1,667,900
Public Safety		10,762,840		10,762,840
Public Works		1,418,620		1,418,620
Health	149,427	5,428		154,855
Conservation - Recreation	66,450	326,381		392,831
Miscellaneous		92,262		92,262
Debt Service:				
Redemption of Principal			\$ 600,947	600,947
Capital Outlay	5,874	937,858		943,732
Total Cash Disbursements	1,889,651	13,543,389	600,947	16,033,987
Total Receipts Over/(Under) Disbursements	402,679	(326,519)	(600,947)	(524,787)
Other Financing Receipts and (Disbursements):				
Transfers-In			570,137	570,137
Advances-In	250,000	332,000		582,000
Transfers-Out	(570,137)			(570,137)
Advances-Out	(332,000)	(250,000)		(582,000)
Total Other Financing Receipts/(Disbursements)	(652,137)	82,000	570,137	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(249,458)	(244,519)	(30,810)	(524,787)
Fund Cash Balances, January 1	756,611	2,736,406	4,969	3,497,986
Fund Cash Balances, December 31	\$ 507,153	\$ 2,491,887	\$ (25,841)	\$ 2,973,199
Reserve for Encumbrances, December 31	\$ 10,745	\$ 385,740		\$ 396,485

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**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, 2002**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Local Taxes	\$ 505,553	\$ 10,240,527		\$ 10,746,080
Intergovernmental	893,447	2,376,534		3,269,981
Special Assessments		251,331		251,331
Charges for Services		1,968		1,968
Licenses, Permits, and Fees	318,703	13,711		332,414
Earnings on Investments	62,298	22,547		84,845
Other Revenue	42,025	416,757		458,782
Total Cash Receipts	<u>1,822,026</u>	<u>13,323,375</u>		<u>15,145,401</u>
Cash Disbursements:				
Current:				
General Government	1,469,188			1,469,188
Public Safety		9,357,613		9,357,613
Public Works		1,946,522		1,946,522
Health	143,501	3,615		147,116
Human Services		354,525		354,525
Conservation - Recreation	52,014			52,014
Miscellaneous		135,772		135,772
Debt Service:				
Interest and Fiscal Charges			\$ 2,212,204	2,212,204
Capital Outlay	6,529	867,769		874,298
Total Cash Disbursements	<u>1,671,232</u>	<u>12,665,816</u>	<u>2,212,204</u>	<u>16,549,252</u>
Total Receipts Over/(Under) Disbursements	<u>150,794</u>	<u>657,559</u>	<u>(2,212,204)</u>	<u>(1,403,851)</u>
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Bonds			1,135,000	1,135,000
Transfers-In	500,000		1,082,173	1,582,173
Advances-In	750,000			750,000
Transfers-Out	(1,082,173)	(500,000)		(1,582,173)
Advances-Out		(750,000)		(750,000)
Other Sources		1,020		1,020
Total Other Financing Receipts/(Disbursements)	<u>167,827</u>	<u>(1,248,980)</u>	<u>2,217,173</u>	<u>1,136,020</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	318,621	(591,421)	4,969	(267,831)
Fund Cash Balances, January 1 (Restated) See note 11	437,990	3,327,827		3,765,817
Fund Cash Balances, December 31	<u><u>\$ 756,611</u></u>	<u><u>\$ 2,736,406</u></u>	<u><u>\$ 4,969</u></u>	<u><u>\$ 3,497,986</u></u>
Reserve for Encumbrances, December 31	<u>\$ 42,295</u>	<u>\$ 769,439</u>		<u>\$ 811,734</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Sylvania Township, Lucas 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 government 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 in 2001, see Note 1B, 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 § 6199. The District Board 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 9 for additional information.

C. Jointly Governed Organization

The Township, in conjunction with the city of Sylvania 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 on all real property located within the Township. Taxes are collected by the Lucas County Auditor and remitted to the SAJRD Board of Trustees. SAJRD is fiscally independent of the Township and the SAJRD's financial statements have not been included within the Township's reporting entity.

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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 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.

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:

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.

SPECIAL REVENUE FUNDS

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

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

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Permissive Tax Fund – This fund receives sales tax money to pay for maintenance and upkeep of Township property.

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 Funds:

Senior Center Bond Fund – This fund was created to track the semi annual payments of the debt entered into for the new construction of the senior center. This fund had a negative fund balance at December 31, 2003 of \$25,842.

Bank Debt Fund – This fund was created to track payments on the bank loan entered into for general operations.

G. Budgetary Process

The Ohio Revised 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 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.

A summary of 2003 and 2002 budgetary appears in Note 3.

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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>2003</u>	<u>2002</u>
Demand deposits	\$ 477,846	\$ 1,308,851
U.S. Treasury Notes	<u>2,495,353</u>	<u>2,189,135</u>
Total deposits and investments	<u><u>\$ 2,973,199</u></u>	<u><u>\$ 3,497,986</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2003 Budgeted vs Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,100,000	\$ 2,292,331	\$ (807,669)
Special Revenue	15,180,302	13,216,869	(1,963,433)
Debt Service	40,000	570,137	530,137
Total	<u>\$ 18,320,302</u>	<u>\$ 16,079,337</u>	<u>\$ (2,240,965)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 3,381,312	\$ 2,470,533	\$ 910,779
Special Revenue	16,248,753	13,929,129	2,319,624
Debt Service	126,620	600,947	(474,327)
Total	<u>\$ 19,756,685</u>	<u>\$ 17,000,609</u>	<u>\$ 2,756,076</u>

2002 Budgeted vs Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,900,000	\$ 2,322,026	\$ (577,974)
Special Revenue	14,038,976	13,324,396	(714,580)
Debt Service		2,217,173	2,217,173
Total	<u>\$ 16,938,976</u>	<u>\$ 17,863,595</u>	<u>\$ 924,619</u>

2002 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 3,430,969	\$ 2,795,700	\$ 635,269
Special Revenue	16,873,624	13,935,255	\$2,938,369
Debt Service		2,212,204	(\$2,212,204)
Total	<u>\$ 20,304,593</u>	<u>\$ 18,943,159</u>	<u>\$ 1,361,434</u>

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Grant Fund, Special Revenue Fund type, by \$52,156; Senior Center Levy Fund, Special Revenue Fund type, by \$50,226; Bank Debt Fund, Debt Service Fund type, by \$1,018,009; and Bond Retirement Fund, Debt Service Fund type, by \$1,199,163 for the year ended December 31, 2003 and in the Bank Debt Fund, Debt Service Fund type, by \$510,137 and Bond Retirement Fund, Debt Service Fund Type, by \$24,579 for the year ended December 31, 2002.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceeding 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 payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	<u>\$ 1,095,000</u>	Variable

The general obligation bonds were issued to finance the Township's portion of the construction of the Sylvania Senior Center. The bonds are collateralized solely by the Township's taxing authority.

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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

Year ending December 31:	General Obligation Bonds
2004	\$ 40,000
2005	40,000
2006	45,000
2007	45,000
2008	45,000
2009-2013	255,000
2014-2018	320,000
2019-2022	305,000
Total	\$ 1,095,000

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide 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 2003, members of OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equal to 13.55 percent of participants' gross salaries for 2003. The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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

8. 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. 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.

9. 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 percent, 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. Advances made during the fiscal year 2002 totaled \$30,000. As of December 31, 2002, the Water and Sewer District owes the Township \$1,096,022. Advances made during the fiscal year 2003 totaled \$242,848. As of December 31, 2003, the Water and Sewer District owes the Township \$1,206,641.

The Township has engaged in a lease agreement with Schwerkoske Family Partnership, Ltd. (aka: JMS Property Management) that is owned by Township Trustee James Schwerkoske. During 2002, the Township paid Schwerkoske Family Partnership \$1,261 for the lease of office space for the police department. In 2003, the Township paid \$1,315. It was noted within the minutes that Mr. Schwerkoske does not vote on matters pertaining to this company. As a trustee, James Schwerkoske was paid \$18,000 and \$18,234 in 2002 and 2003 respectively.

10. SUBSEQUENT EVENTS

The Township approved and then passed a 2.3 mil levy specifically for the Police Department operations. It was passed in February 2004 and will be collected beginning in 2005.

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

11. RECLASSIFICATION OF FUND – RESTATEMENT OF PRIOR YEAR FUND BALANCE

The Lighting District Fund is being reported on the Township’s financial statements as a special revenue fund beginning in 2002. In the prior years, this fund was reported as a capital project fund. The special revenue fund designation more accurately reflects the purpose for which the fund was established.

The restatement of the Lighting District Fund had the following effect on the excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements as previously reported for the year ended December 31, 2001:

	Special Revenue	Capital Projects
Excess of Cash Receipts and Other Financing Receipts over/(under) Cash Disbursements and Other Financing Disbursements	\$ 1,408,398	\$ (12,203)
Restatement of Lighting District Fund	(12,203)	12,203
Restatement amount for the year ended December 31, 2001	\$ 1,396,195	\$ -

The change had the following effect on fund balance previously reported as of December 31, 2001:

	Special Revenue	Capital Projects
Fund Balance as previously reported	\$ 2,936,628	\$ 391,199
Restatement for Lighting District Fund	391,199	(391,199)
Restated amount December 31, 2001	\$ 3,327,827	\$ -

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**Auditor of State
Betty Montgomery**

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

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

To the Board of Trustees:

We have audited the accompanying financial statements of Sylvania Township, Lucas County, (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 25, 2004, in which we noted the Township reclassified a fund. 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 tested its compliance with certain provisions of laws, regulations, contracts, and grants, 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 such an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated October 25, 2004.

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 for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 to be 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 Government'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 2003-002.

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. 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 to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the Township's management in a separate letter dated October 25, 2004.

This report is intended 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.



Betty Montgomery
Ohio Auditor of State

October 25, 2004

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. Expenditures exceeded appropriations in the following funds at the legal level of control for fiscal year 2002 and 2003:

Fund	Appropriations	Expenditures	Excess
2002			
Special Revenue Funds			
Grant Fund - Other Expenses	\$ 99,729	\$ 151,885	\$ (52,156)
Senior Center Levy - Human Services	304,300	354,526	(50,226)
Debt Service Funds			
Bank Debt - Principal Payments		1,018,009	(1,018,009)
Bond Fund - Principal Payments		1,199,163	(1,199,163)
2003			
Debt Service Funds			
Bank Debt - Principal Payments	\$ -	\$ 510,137	\$ (510,137)
Bond Fund - Principal Payments	126,620	151,199	(24,579)

Management was advised the failure to have adequate appropriations in place at the time of the expenditures are being made could result in expenditures to exceed available resources, further resulting in deficit spending practices.

The Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2003-002

Reportable Condition - Record Maintenance

The Townships record retention policy requires bank deposits slips, statements, and reconciliations to be kept for a minimum of 3 years, provided the records have been audited by the Auditor of State and the report has been released.

The Township did not have on file their outstanding check listing for their accounts payable account at Fifth Third bank. This listing is an important component to a bank reconciliation. In addition, the Township was not performing bank reconciliations, i.e. reconciling the Townships ledgers to the amounts reported by the depositories, not the Township ledgers to the outstanding check list, as was performed by the Township. This could result in errors going undetected and cash being misstated.

We recommend the Township perform bank reconciliations on a monthly basis and maintain all reconciliation related documents, together with the bank reconciliation, for the time period specified within their record retention policy.

**SYLVANIA TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40148-001	Township shall not expend money unless it has been appropriated	No	Not corrected. Reissued as Finding # 2003-001.



**Auditor of State
Betty Montgomery**

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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
DECEMBER 14, 2004**