



Mary Taylor, CPA
Auditor of State

**ATWATER TOWNSHIP
PORTAGE COUNTY**

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Mary Taylor, CPA

Auditor of State

Atwater Township
Portage County
P.O. Box 9
Atwater, Ohio 44201

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

October 9, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Atwater Township
Portage County
P.O. Box 9
Atwater, Ohio, 44201

To the Township Board of Trustees:

We have audited the accompanying financial statements of Atwater Township, Portage County, (the Township) as of and for the years ended December 31, 2007, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007, or its changes in financial position for the years then ended.

Also, 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 Atwater Township, Portage County, as of December 31, 2007, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

October 9, 2008

ATWATER TOWNSHIP
PORTAGE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$96,203	\$264,577		\$360,780
Charges for Services		37,372		37,372
Licenses, Permits, and Fees		10,102		10,102
Intergovernmental	75,345	133,984	85,335	294,664
Special Assessments		2,013		2,013
Earnings on Investments	2,224	503		2,727
Miscellaneous	22,193	30,257		52,450
Total Cash Receipts	195,965	478,808	85,335	760,108
Cash Disbursements:				
Current:				
General Government	159,070	9,400		168,470
Public Safety		72,911		72,911
Public Works		207,241		207,241
Health		10,607		10,607
Capital Outlay		20,824	85,335	106,159
Debt Service:				
Redemption of Principal	17,500	69,577		87,077
Interest and Other Fiscal Charges	5,903	20,637		26,540
Total Cash Disbursements	182,473	411,197	85,335	679,005
Total Receipts Over/(Under) Disbursements	13,492	67,611	0	81,103
Other Financing Receipts / (Disbursements):				
Other Financing Sources	100	729	0	829
Total Other Financing Receipts / (Disbursements)	100	729	0	829
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	13,592	68,340	0	81,932
Fund Cash Balances, January 1	38,042	486,992	0	525,034
Fund Cash Balances, December 31	\$51,634	\$555,332	\$0	\$606,966
Reserve for Encumbrances, December 31	\$8,464	\$16,348	\$0	\$24,812

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

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$88,326	\$263,407	\$351,733
Charges for Services		34,999	34,999
Licenses, Permits, and Fees		8,637	8,637
Intergovernmental	72,208	124,834	197,042
Special Assessments		1,887	1,887
Earnings on Investments	1,926	478	2,404
Miscellaneous	19,753	26,501	46,254
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Total Cash Receipts	182,213	460,743	642,956
Cash Disbursements:			
Current:			
General Government	190,970	3,085	194,055
Public Safety	18	86,666	86,684
Public Works		151,768	151,768
Health		7,342	7,342
Capital Outlay		398,871	398,871
Debt Service:			
Redemption of Principal	17,500		17,500
Interest and Other Fiscal Charges	10,687		10,687
	<hr/>		
Total Cash Disbursements	219,175	647,732	866,907
	<hr/>		
Total Receipts Over/(Under) Disbursements	(36,962)	(186,989)	(223,951)
Other Financing Receipts / (Disbursements):			
Other Debt Proceeds		386,979	386,979
Other Financing Sources		10,694	10,694
	<hr/>		
Total Other Financing Receipts / (Disbursements)	0	397,673	397,673
	<hr/>		
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(36,962)	210,684	173,722
	<hr/>		
Fund Cash Balances, January 1 (See Note #3)	75,004	276,308	351,312
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Fund Cash Balances, December 31	\$38,042	\$486,992	\$525,034
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The notes to the financial statements are an integral part of this statement.

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$86,807	\$162,809		\$249,616
Charges for Services		46,084		46,084
Licenses, Permits, and Fees		14,369		14,369
Intergovernmental	75,065	139,677	90,600	305,342
Special Assessments		1,978		1,978
Earnings on Investments	1,664	269		1,933
Miscellaneous	31,859	5,851		37,710
Total Cash Receipts	195,395	371,037	90,600	657,032
Cash Disbursements:				
Current:				
General Government	172,904	713		173,617
Public Safety	106	61,848		61,954
Public Works	100	161,062		161,162
Health		4,398		4,398
Capital Outlay		29,236	90,600	119,836
Debt Service:				
Redemption of Principal	17,500	51,794		69,294
Interest and Other Fiscal Charges	7,995	2,318		10,313
Total Cash Disbursements	198,605	311,369	90,600	600,574
Total Receipts Over/(Under) Disbursements	(3,210)	59,668	0	56,458
Other Financing Receipts / (Disbursements):				
Other Financing Sources	70			70
Other Financing Uses	(48)			(48)
Total Other Financing Receipts / (Disbursements)	22	0	0	22
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(3,188)	59,668	0	56,480
Fund Cash Balances, January 1 (See Note #3)	74,640	214,916	0	289,556
Fund Cash Balances, December 31	\$71,452	\$274,584	\$0	\$346,036
Reserve for Encumbrances, December 31	\$1,098	\$924	\$0	\$2,022

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

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**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Atwater Township, Portage County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

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

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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.

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

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 2007, 2006 and 2005 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007, 2006 AND 2005
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006	2005
Demand deposits	\$606,966	\$525,034	\$346,036

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

3. PRIOR PERIOD RESTATEMENT

As stated in prior audit Finding 2004-003 (refer to prior audit Schedule of Findings), the Township's fund balances were not properly reconciled to their bank balances. In 2006, the Township hired a Certified Public Accounting Firm to aid them in getting their accounting system reconciled with their fund balances. As a result, in order for the Township's total fund balances, bank balances, and financial statement balances to all be in agreement at December 31, 2005 and 2006, the General Fund and Special Revenue Fund fund balances were adjusted as stated below.

2005	General Fund	Special Revenue Fund
Fund Cash Balances, December 31, 2004 (Before Adjustment)	\$74,070	\$207,434
Adjustments made by Township	570	7,482
Fund Cash Balances, January 1, 2005	\$74,640	\$214,916

2006	General Fund	Special Revenue Fund
Fund Cash Balances, December 31, 2005 (Before Adjustment)	\$71,452	\$274,584
Adjustments made by Township	3,552	1,723
Fund Cash Balances, January 1, 2006	\$75,004	\$276,308

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007, 2006 and 2005 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$173,431	\$196,065	\$22,634
Special Revenue	435,654	479,537	43,883
Capital Projects	140,400	85,335	(55,065)
Total	\$749,485	\$760,937	\$11,452

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007, 2006 AND 2005
(Continued)**

4. BUDGETARY ACTIVITY – (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$211,473	\$190,937	\$20,536
Special Revenue	922,646	427,545	495,101
Capital Projects	140,400	85,335	55,065
Total	<u>\$1,274,519</u>	<u>\$703,817</u>	<u>\$570,702</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$174,431	\$182,213	\$7,782
Special Revenue	776,119	858,416	82,297
Capital Projects	90,600	0	(90,600)
Total	<u>\$1,041,150</u>	<u>\$1,040,629</u>	<u>(\$521)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$224,466	\$219,175	\$5,291
Special Revenue	1,043,154	647,732	395,422
Capital Projects	90,600	0	90,600
Total	<u>\$1,358,220</u>	<u>\$866,907</u>	<u>\$491,313</u>

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$140,176	\$195,465	\$55,289
Special Revenue	298,218	371,037	72,819
Capital Projects	177,200	90,600	(86,600)
Total	<u>\$615,594</u>	<u>\$657,102</u>	<u>\$41,508</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$214,991	\$199,751	\$15,240
Special Revenue	505,653	312,293	193,360
Capital Projects	177,200	90,600	86,600
Total	<u>\$897,844</u>	<u>\$602,644</u>	<u>\$295,200</u>

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007, 2006 AND 2005
(Continued)**

5. PROPERTY TAX

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

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

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

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Town Hall	\$87,500	6.44%
Ambulance	103,277	5.75%
Fire Pumper Truck	214,156	5.13%
Total	\$404,933	

The town hall note was issued to build a completely new town hall. The Township entered into two separate lease agreements to obtain the ambulance and the fire pumper truck. This debt is backed by the full faith of the Township.

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

	Town Hall	Ambulance	Fire Pumper Truck
Year ending December 31:			
2008	\$20,169	\$29,634	\$60,579
2009	19,623	29,634	60,579
2010	19,093	29,634	60,579
2011	18,562	29,634	60,579
2012	18,034		
Total	\$95,481	\$118,536	\$242,316

In addition to the debt described above, all outstanding debt incurred for the purchase of a truck acquired in 2001 that was reported in the prior audit was retired in 2005. Also, all outstanding debt incurred for the addition to the fire station in 2002 that was reported in the prior audit was retired in 2005.

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007, 2006 AND 2005
(Continued)**

7. RETIREMENT SYSTEMS

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007, 2006 and 2005, OPERS members contributed 9.5%, 9% and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85%, 13.7% and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

8. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007, 2006 AND 2005
(Continued)**

8. RISK MANAGEMENT - (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007, 2006 and 2005:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets	\$43,210,703	\$42,042,275	\$39,663,434
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>	<u>(13,750,607)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>	<u>\$25,912,827</u>

At December 31, 2007, 2006 and 2005, respectively, liabilities above include approximately \$12.5 million, \$11.3 million and \$11.6 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million, \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$10,690. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007, 2006 AND 2005
(Continued)**

8. RISK MANAGEMENT - (Continued)

<u>Contributions to OTARMA</u>	
2005	\$12,580
2006	\$11,508
2007	\$11,372

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Atwater Township
Portage County
P.O. Box 9
Atwater, Ohio 44201

To the Township Board of Trustees:

We have audited the financial statements of Atwater Township, Portage County, (the Township) as of and for the years ended December 2007, 2006 and 2005, and have issued our report thereon dated October 9, 2008 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Township's management in a separate letter dated October 9, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2007-001.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated October 9, 2008.

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the management, and the Township Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 9, 2008

ATWATER TOWNSHIP
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007, 2006 AND 2005

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

FINDING NUMBER 2007-001

Material Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D), states no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal officer is attached. The fiscal officer must certify that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D) (1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made "then" at the time that he is completing his certification "now", sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

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

Instances of non-compliance are attributed to the following departments:

1000-General fund-20 or 21%	2031-Road and Bridge-7 or 7%
2021-Gasoline Tax-5 or 5%	2041-Cemetery-4 or 4%
2281-Ambulance and Emergency Medical-5 or 5%	3101-Debt-2 or 2%
2111-Fire District-11 or 11%	

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval and aid in the posting of the expenditures to the correct department. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

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

Response:

The Township is implementing policies to correct this issue.

**ATWATER TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Fire Chief Payroll Overpayment	Yes	
2004-002	Ohio Rev. Code Section 5705.41 (D) – The Township did not always certify funds were available at the time of the commitment	No	Repeat – as material noncompliance citation
2004-003	Township not reconciled	Yes	



Mary Taylor, CPA
Auditor of State

ATWATER TOWNSHIP

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 13, 2008**