



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**DAMASCUS TOWNSHIP
HENRY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Damascus Township
Henry County
M-717 Road 1
McClure, Ohio 43534-9767

To the Board of Trustees:

We have audited the accompanying financial statements of Damascus Township, Henry County, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999. 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 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 of the Township as of December 31, 2000 and 1999, 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 July 3, 2001 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.

Damascus Township
Henry County
Report of Independent Accountants
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This report is intended solely for the information and use of 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.

Jim Petro
Auditor of State

July 3, 2001

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$52,562	\$43,898		\$96,460
Intergovernmental	28,336	77,244		105,580
Charges for Services	2,650			2,650
Licenses, Permits, and Fees	900	3,750		4,650
Earnings on Investments	1,332	2,663	\$3,572	7,567
Other Revenue	8,601	1,250		9,851
	<u>94,381</u>	<u>128,805</u>	<u>3,572</u>	<u>226,758</u>
Total Cash Receipts				
	<u>94,381</u>	<u>128,805</u>	<u>3,572</u>	<u>226,758</u>
Cash Disbursements:				
Current:				
General Government	64,088			64,088
Public Safety	19,710			19,710
Public Works	176	30,785		30,961
Health		7,916		7,916
Debt Service:				
Redemption of Principal		22,180		22,180
Interest and Fiscal Charges		3,020		3,020
Capital Outlay		22,371		22,371
	<u>83,974</u>	<u>86,272</u>		<u>170,246</u>
Total Cash Disbursements				
	<u>83,974</u>	<u>86,272</u>		<u>170,246</u>
Total Cash Receipts Over Cash Disbursements	10,407	42,533	3,572	56,512
Fund Cash Balances, January 1	<u>131,725</u>	<u>92,143</u>	<u>56,623</u>	<u>280,491</u>
Fund Cash Balances, December 31	<u>\$142,132</u>	<u>\$134,676</u>	<u>\$60,195</u>	<u>\$337,003</u>

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

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$48,811	\$40,655		\$89,466
Intergovernmental	42,632	71,043		113,675
Charges for Services	12,250	9,091		21,341
Licenses, Permits, and Fees	595	6,337		6,932
Earnings on Investments	1,896	3,791	\$3,182	8,869
Other Revenue	311	9,655		9,966
Total Cash Receipts	<u>106,495</u>	<u>140,572</u>	<u>3,182</u>	<u>250,249</u>
Cash Disbursements:				
Current:				
General Government	82,671			82,671
Public Safety	15,494			15,494
Public Works	191	49,505		49,696
Health		7,439		7,439
Capital Outlay	26,500	212,082		238,582
Total Cash Disbursements	<u>124,856</u>	<u>269,026</u>		<u>393,882</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(18,361)</u>	<u>(128,454)</u>	<u>3,182</u>	<u>(143,633)</u>
Other Financing Receipts:				
Proceeds from Sale of Public Debt:				
Sale of Notes		80,000		80,000
Total Other Financing Receipts		<u>80,000</u>		<u>80,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(18,361)</u>	<u>(48,454)</u>	<u>3,182</u>	<u>(63,633)</u>
Fund Cash Balances, January 1	<u>150,086</u>	<u>140,597</u>	<u>53,441</u>	<u>344,124</u>
Fund Cash Balances, December 31	<u><u>\$131,725</u></u>	<u><u>\$92,143</u></u>	<u><u>\$56,623</u></u>	<u><u>\$280,491</u></u>

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

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Damascus Township, Henry 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of McClure to provide police protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Deposits

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money to pay for constructing, maintaining and repairing Township roads.

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

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 purchase and maintenance of fire equipment.

3. Fiduciary Funds (Trust)

This fund is used to account for resources restricted by legally binding trust agreement. The Township had the following significant fiduciary funds:

Nonexpendable Trust Fund - The Township has one trust fund established for the purpose of maintaining the local cemetery. The principal is restricted.

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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not use the encumbrance method of accounting. However, no material unrecorded encumbrances were outstanding at December 31.

A summary of 2000 and 1999 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.

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$276,808	\$223,868
Certificates of deposit	60,195	56,623
Total deposits	<u>\$337,003</u>	<u>\$280,491</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$80,491	\$94,381	\$13,890
Special Revenue	129,537	128,805	(732)
Fiduciary		3,572	3,572
Total	<u>\$210,028</u>	<u>\$226,758</u>	<u>\$16,730</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$212,150	\$83,974	\$128,176
Special Revenue	221,679	86,272	135,407
Fiduciary			
Total	<u>\$433,829</u>	<u>\$170,246</u>	<u>\$263,583</u>

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$76,744	\$106,495	\$29,751
Special Revenue	198,881	220,572	21,691
Fiduciary		3,182	3,182
Total	<u>\$275,625</u>	<u>\$330,249</u>	<u>\$54,624</u>

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$226,830	\$124,856	\$101,974
Special Revenue	339,478	269,026	70,452
Fiduciary			
Total	\$566,308	\$393,882	\$172,426

Contrary to Ohio Administrative Code Section 117-3-11(B) and (C), the Township does not post appropriations to the appropriation ledger, encumber funds or use purchase orders. Also, contrary to Ohio Administrative Code Section 117-3-09(B), the Township does not post estimated receipts to accounts in the receipt's ledger. The budgetary financial note correctly reflects approved appropriations and budgeted resources.

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 payments, 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, 2000 was as follows:

	Principal	Interest Rate
General Obligation Note	\$57,820	5.25%

The general obligation note was issued to finance the purchase of a new fire truck. The note is secured by the truck.

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

Year ending December 31:	General Obligation Notes
2001	\$21,214
2002	21,214
2003	20,285
Total	\$62,713

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% and 10.84% of participants' gross salaries for 1999 and 2000, respectively. The Township has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty;
- Property coverage;
- Public official's liability;
- Vehicle liability;
- Vehicle physical damage; and
- Fireman's sickness and accident coverage.

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

8. LEGAL COMPLIANCE

Contrary to Ohio Administrative Code § 117-2-02(B)(5) the 1999 and 2000 annual financial reports filed with the Auditor of States Office were not completed in their entirety.

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

Damascus Township
Henry County
M-717 Road 1
McClure, Ohio 43534-9767

To the Board of Trustees:

We have audited the accompanying financial statements of Damascus Township, Henry County, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated July 3, 2001. 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.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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 2000-40135-001, 2000-40135-002, and 2000-40135-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 3, 2001.

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 July 3, 2001.

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

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

July 3, 2001

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-40135-001

Noncompliance Citation

Ohio Administrative Code § 117-3-11(B) states each township shall post to each appropriation account an amount equal to the amount appropriated for that account in the annual appropriation resolution(s). Ohio Administrative Code § 117-3-11(C) states each expenditure or encumbrance charged against an appropriation account shall be posted and subtracted from the appropriated balance producing a declining unencumbered balance. This procedure is to be initiated by an executed purchase order.

The Township does not post appropriations to the appropriation ledger, encumber funds or use purchase orders. The budgetary financial note correctly reflects amounts from annual appropriation resolutions and any amendments.

Inaccurate budget to actual comparisons could cause management to draw incorrect conclusions regarding fiscal position. Also, failure to encumber appropriations could result in obligations exceeding available resources and ultimately result in deficit spending.

Ohio Administrative Code § 117-3-11(B) and (C) was replaced by Ohio Administrative Code § 117-2-02 (C1) and (D3) as of July 1, 2000. The replacement section suggests that local governments maintain much of the records in much the same format as the superseded sections.

We recommend the Township post appropriations to the appropriation ledger and utilize purchase orders. Each expenditure or encumbrance charged against an appropriation account should be posted and subtracted from the appropriated balance producing a declining unencumbered balance.

FINDING NUMBER 2000-40135-002

Noncompliance Citation

Ohio Administrative Code § 117-3-09(B) states each township shall maintain a receipts ledger which shall contain a separate sheet for each account established by the Township. The Township shall post to each receipts account the estimated amount of money to be received into the account as specified by the county budget commission in its official estimate of balances and receipts set forth in the certificate of estimated resources.

The Clerk does not post estimated receipts to accounts in the receipts ledger. The budgetary financial note correctly reflects amounts from the certificate of estimated resources.

Without budget to actual comparisons, management could draw incorrect conclusions regarding fiscal position.

**FINDING NUMBER 2000-40135-002
(Continued)**

Ohio Administrative Code § 117-3-09(B) was replaced by Ohio Administrative Code § 117-2-02 (C)(1) and (D)(2) as of July 1, 2000. The replacement section suggests that local governments maintain much of the records in much the same format as the superseded sections.

We recommend the estimated taxes revenue and total other sources revenue amounts officially approved on the Amended Certificates of Estimated Resources be posted to the receipt's ledger.

FINDING NUMBER 2000-40135-003

Noncompliance Citation

Ohio Administrative Code § 117.38 states each public office, other than a state agency, shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule of may issue guidelines, or both, for such reports. Ohio Administrative Code § 117-2-02(B)(5) provides for the Presentation and Disclosure assertion that financial statement elements are properly classified and described and appropriate disclosures are made.

The 1999 and 2000 annual financial reports filed with the Auditor of States Office were not completed in their entirety. The following omissions were noted:

- Cash reconciliation was incorrectly prepared by not including individual fund balances.
- Combining statement for the Special Revenue Funds was not totaled.
- Combined statements did not include Special Revenue Fund total.
- Comparison of Disbursement and Encumbrances with Expenditure Authority - All Budgeted Funds were not completed.
- Comparison of Budgeted and Actual Receipts - All Budgeted Funds were not completed.

We recommend that the annual reports be completely filled out to enable a user to draw sound conclusions.

**DAMASCUS TOWNSHIP
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1998-40135-001	Ohio Revised Code § 505.60 Finding for Recovery maximum amount reimbursed to Trustee exceeded amount allowed as established by Trustees for insurance premiums.	Yes	
2000-40126-001	Ohio Administrative Code §117-3-11(B) does not post appropriations to the appropriation ledger and (C) does not use purchase orders nor does it encumber funds.	No	Not Corrected.



STATE OF OHIO
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DAMASCUS TOWNSHIP

HENRY 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
JULY 31, 2001**