



**Auditor of State
Betty Montgomery**

ADAMS TOWNSHIP
SENECA COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Adams Township
Seneca County
4849 N. Township Road 175
Republic, OH 44867-9651

To the Board of Trustees:

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Adams Township, Seneca County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2003, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Adams Township
Seneca County
Independent Accountants' Report
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 23, 2003

**ADAMS TOWNSHIP
SENECA COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$17,926	\$73,453	\$91,379
Intergovernmental	94,106	72,356	166,462
Licenses, Permits, and Fees	902	2,009	2,911
Earnings on Investments	710	210	920
Other Revenue	2,911	3,895	6,806
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	116,555	151,923	268,478
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	56,847		56,847
Public Safety		23,600	23,600
Public Works	48,700	109,149	157,849
Health	4,650	10,850	15,500
Debt Service:			
Redemption of Principal		1,063	1,063
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	110,197	144,662	254,859
	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	6,358	7,261	13,619
Fund Cash Balances, January 1	14,673	45,930	60,603
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Fund Cash Balances, December 31	\$21,031	\$53,191	\$74,222
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Reserve for Encumbrances, December 31	\$60		\$60
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**ADAMS TOWNSHIP
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$18,152	\$73,100		\$91,252
Intergovernmental	74,792	71,532	\$14,066	160,390
Licenses, Permits, and Fees	875	1,300		2,175
Earnings on Investments	959	358		1,317
Other Revenue	968	1,558		2,526
	<u>95,746</u>	<u>147,848</u>	<u>14,066</u>	<u>257,660</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	109,947			109,947
Public Safety		18,600		18,600
Public Works	11,750	113,046		124,796
Health	4,454	4,037		8,491
Miscellaneous		256		256
Debt Service:				
Redemption of Principal		1,063		1,063
Capital Outlay	78		14,066	14,144
	<u>126,229</u>	<u>137,002</u>	<u>14,066</u>	<u>277,297</u>
Total Cash Disbursements				
Total Receipts Over/ (Under) Disbursements	(30,483)	10,846		(19,637)
Fund Cash Balances, January 1	<u>45,156</u>	<u>35,084</u>		<u>80,240</u>
Fund Cash Balances, December 31	<u>\$14,673</u>	<u>\$45,930</u>		<u>\$60,603</u>
Reserve for Encumbrances, December 31	<u>\$40</u>			<u>\$40</u>

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

**ADAMS TOWNSHIP
SENECA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Adams Township, Seneca County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with Green Springs Rural Volunteer Fire Department, Inc. to provide fire services.

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

B. Basis of Accounting

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

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

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

**ADAMS TOWNSHIP
SENECA COUNTY**

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

3. Capital Project Fund

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

Issue II Fund - The Township received a grant from the State of Ohio for upkeep of township roads.

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

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

E. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	<u>2002</u>	<u>2001</u>
Demand deposits	<u>\$74,222</u>	<u>\$60,603</u>

Deposits are insured by the Federal Depository Insurance Corporation.

**ADAMS TOWNSHIP
SENECA COUNTY**

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

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$97,470	\$116,555	\$19,085
Special Revenue	143,741	151,923	8,182
Total	\$241,211	\$268,478	\$27,267

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$110,257	(\$110,257)
Special Revenue		144,662	(144,662)
Total		\$254,919	(\$254,919)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$83,300	\$95,746	\$12,446
Special Revenue	143,055	147,848	4,793
Capital Projects	107,441	14,066	(93,375)
Total	\$333,796	\$257,660	(\$76,136)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$128,360	\$126,269	\$2,091
Special Revenue	167,900	137,002	30,898
Capital Projects	107,441	14,066	93,375
Total	\$403,701	\$277,337	\$126,364

Contrary to Ohio law, the Township did not have an appropriation resolution for 2002.

The Township did not properly certify all expenditures which is contrary with Ohio Revised Code § 5705.41(D).

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

**ADAMS TOWNSHIP
SENECA COUNTY**

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

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, 2002 was as follows:

	Principal
Ohio Public Works Commission (OPWC)	\$6,375

The Ohio Public Works Commission (OPWC) grant was issued to finance road work with zero percent interest. This is a joint agreement between Adams and Thompson Townships for a road project on Township Road 78.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	OPWC Loan
2003	\$1,063
2004	1,062
2005	1,063
2006	1,062
2007	1,063
2008	1,062
Total	\$6,375

6. RETIREMENT SYSTEMS

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

OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage

**ADAMS TOWNSHIP
SENECA COUNTY**

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

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

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

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

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

Financial Position

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

<u>Casualty Coverage</u>	2001	2000
Assets	\$23,703,776	\$22,684,383
Liabilities	9,379,003	8,924,977
Retained Earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>

<u>Property Coverage</u>	2001	2000
Assets	\$5,011,131	\$4,156,784
Liabilities	647,667	497,831
Retained Earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

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**Auditor of State
Betty Montgomery**

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

Adams Township
Seneca County
4849 N. Township Road 175
Republic, OH 44867-9651

To the Board of Trustees:

We have audited the accompanying financial statements of Adams Township, Seneca County, (the Township) as of and for the years ended December 21, 2002 and 2001, and have issued our report thereon dated April 23, 2003. 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 the 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 2002-40574-001 and 2002-40574-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 23, 2003.

Internal Control over Financial Reporting

In planning and performing our audits, 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 April 23, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 23, 2003

**ADAMS TOWNSHIP
SENECA COUNTY**

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

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

FINDING NUMBER 2002-40574-001

Noncompliance Citation

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

This section also provides two “exceptions” to the above requirement:

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

Seventeen percent of transactions tested were not certified by the fiscal officer at the time the commitment was incurred. Neither of the exceptions provided for were used. To improve controls over disbursements we recommend all Township disbursements receive certification of the fiscal officer that the funds are or will be available.

In addition to regular blanket certificates, a subdivision’s fiscal officer may also issue so-called “super blanket” certificates for any amount for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the fiscal year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

Thirty percent of transactions tested were “super blanket” certificates. These covered items such as supplies and small tools and equipment. We recommend “super blanket” certificates be used for most professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expenses.

Certain liabilities, contracts and open purchase commitments incurred prior to January 1, 2001, were not encumbered against fiscal year 2001 appropriations. Consequently, these obligations were improperly charged against 2002 appropriations. Unencumbered fund balances reported to the County Auditor for budgetary purposes were overstated. The following amounts represent the minimums by which December 31, 2001, fund encumbrances were understated:

<u>Fund:</u>	<u>12/31/2001</u>
General Fund	\$10,098
Gasoline Tax Fund	9,999
Total	<u>\$20,097</u>

FINDING NUMBER 2002-40574-002

Noncompliance Citation

Ohio Revised Code § 5705.38 states on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses un April 1.

The Township did not have an appropriation resolution for 2002. We recommend an appropriation resolution be maintained and approved by the Board of Trustees by April 1.



**Auditor of State
Betty Montgomery**

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800-282-0370

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ADAMS TOWNSHIP

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 27, 2003**