



**Auditor of State  
Betty Montgomery**



THOMPSON TOWNSHIP  
SENECA COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Thompson Township  
Seneca County  
7860 Township Road 81  
Bellevue, OH 44811-9594

To the Board of Trustees:

We have audited the accompanying financial statements of Thompson 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 of Thompson 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 May 16, 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.

Thompson Township  
Seneca County  
Independent Accountants' Report  
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This report is intended solely for the information and use of the audit committee, management, the Board 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**  
Auditor of State

May 16, 2003

**THOMPSON 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>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$17,386	\$86,964	\$104,350
Intergovernmental	48,868	69,855	118,723
Special Assessments		3,015	3,015
Earnings on Investments	260	67	327
Other Revenue	5,594		5,594
	<u>72,108</u>	<u>159,901</u>	<u>232,009</u>
<b>Total Cash Receipts</b>			
	<u>72,108</u>	<u>159,901</u>	<u>232,009</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	71,502		71,502
Public Safety		15,068	15,068
Public Works	1,794	138,931	140,725
Health	5,072		5,072
Debt Service:			
Redemption of Principal		1,062	1,062
Capital Outlay	796	64,361	65,157
	<u>79,164</u>	<u>219,422</u>	<u>298,586</u>
<b>Total Cash Disbursements</b>			
	<u>79,164</u>	<u>219,422</u>	<u>298,586</u>
<b>Total Disbursements Over Receipts</b>	<u>(7,056)</u>	<u>(59,521)</u>	<u>(66,577)</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Proceeds from Sale of Public Debt:			
Proceeds from Loan		54,059	54,059
Sale of Fixed Assets	29,500		29,500
Transfers-In		21,300	21,300
Transfers-Out	(21,300)		(21,300)
Other Sources	1,701		1,701
	<u>9,901</u>	<u>75,359</u>	<u>85,260</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
	<u>9,901</u>	<u>75,359</u>	<u>85,260</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements</b>	2,845	15,838	18,683
<b>Fund Cash Balances, January 1</b>	<u>30,553</u>	<u>45,647</u>	<u>76,200</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$33,398</u></u>	<u><u>\$61,485</u></u>	<u><u>\$94,883</u></u>

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

**THOMPSON 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>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$19,430	\$88,867		\$108,297
Intergovernmental	54,798	73,712	\$17,939	146,449
Special Assessments		2,849		2,849
Earnings on Investments	1,233	357		1,590
Other Revenue	4,332			4,332
	<u>79,793</u>	<u>165,785</u>	<u>17,939</u>	<u>263,517</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	69,240			69,240
Public Safety		28,243		28,243
Public Works	1,950	178,499		180,449
Health	5,054			5,054
Debt Service:				
Redemption of Principal		1,062		1,062
Capital Outlay	17,295		45,976	63,271
	<u>93,539</u>	<u>207,804</u>	<u>45,976</u>	<u>347,319</u>
<b>Total Cash Disbursements</b>				
	<u>(13,746)</u>	<u>(42,019)</u>	<u>(28,037)</u>	<u>(83,802)</u>
<b>Total Disbursements Over Receipts</b>				
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In		14,700	28,037	42,737
Transfers-Out	(42,737)			(42,737)
	<u>(42,737)</u>	<u>14,700</u>	<u>28,037</u>	
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(56,483)	(27,319)		(83,802)
Fund Cash Balances, January 1	87,036	72,966		160,002
<b>Fund Cash Balances, December 31</b>	<b><u>\$30,553</u></b>	<b><u>\$45,647</u></b>		<b><u>\$76,200</u></b>

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



**THOMPSON TOWNSHIP  
SENECA COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Thompson 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. The Township contracts with the City of Bellevue 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:

*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.

**THOMPSON 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 to repair 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 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

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

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**THOMPSON TOWNSHIP  
SENECA COUNTY**

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

**2. EQUITY IN POOLED CASH**

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

	2002	2001
Demand deposits	\$94,883	\$76,200

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, 2002 and 2001 as follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$74,053	\$103,309	\$29,256
Special Revenue	160,756	235,260	74,504
Total	\$234,809	\$338,569	\$103,760

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$106,101	\$100,464	\$5,637
Special Revenue	193,709	219,422	(25,713)
Total	\$299,810	\$319,886	(\$20,076)

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,181	\$79,793	\$9,612
Special Revenue	168,177	180,485	12,308
Capital Projects		45,976	45,976
Total	\$238,358	\$306,254	\$67,896

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$144,660	\$136,276	\$8,384
Special Revenue	211,324	207,804	3,520
Capital Projects		45,976	(45,976)
Total	\$355,984	\$390,056	(\$34,072)

**THOMPSON TOWNSHIP  
SENECA COUNTY**

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

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Road and Bridge fund by \$47,900 for the year ended December 31, 2002. As of December 31, 2001, the Motor Vehicle License and the Issue II funds expenditures exceeded appropriations by \$13,430 and \$45,976 respectively. During 2001 and 2002, transfers were made from the General fund to other funds without Board of Trustees' approval, contrary to Ohio law.

**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, 2002 was as follows:

	<u>Principal</u>
Ohio Public Works Commission (OPWC)	\$6,375
Truck Loan	<u>54,059</u>
Total	<u><u>\$60,434</u></u>

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.

In 2002, the Township entered into a loan with a local bank for the purchase of a road truck with 4.5 percent interest. The amortization below includes principal and interest.

Amortization of the above debt is scheduled as follows:

**THOMPSON TOWNSHIP  
SENECA COUNTY**

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

<u>Year ending December 31:</u>	<u>OPWC Loan</u>	<u>Truck Loan</u>
2003	\$1,063	\$12,247
2004	1,062	12,247
2005	1,063	12,247
2006	1,062	12,246
2007	1,063	12,246
2008	1,062	
Total	<u>\$6,375</u>	<u>61,233</u>

**6. RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). 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 2001, members of 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 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

**7. 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 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.

**THOMPSON TOWNSHIP  
SENECA COUNTY**

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

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

The Township also provides health insurance coverage to its full-time employee through a private carrier.



**Auditor of State  
Betty Montgomery**

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

Thompson Township  
Seneca County  
7860 Township Road 81  
Bellevue, OH 44811-9594

To the Board of Trustees:

We have audited the accompanying financial statements of Thompson Township, Seneca County, (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 16, 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 2002-001 through 2002-003. We also noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated May 16, 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 May 16, 2003.

Thompson Township  
Seneca County  
Independent Accountants' Report on Compliance and on Internal  
Control Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

May 16, 2003



**THOMPSON 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 2002-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) states no subdivision is to expend money unless it has been appropriated. As of December 31, the Township had expenditures that exceeded appropriations as follows:

Fiscal Year 2002			
Fund	Appropriation	Expenditures	Variance
Road and Bridge	\$76,000	\$123,900	(\$47,900)

Fiscal Year 2001			
Fund	Appropriation	Expenditures	Variance
Motor Vehicle License	\$53,212	\$66,642	(\$13,430)
Issue II		\$45,976	(\$45,976)

Two other funds also had such variances in smaller relative amounts. We recommend the Township refrain from making expenditures that exceed appropriations. The Township should compare appropriation measures to the latest amended certificate of estimated resources and appropriate modifications should be made prior to submission to the county auditor.

**FINDING NUMBER 2002-002**

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.

Fifteen percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred. To improve controls over disbursements, we recommend all Township disbursements receive certification of the fiscal officer that the funds are or will be available and for these certifications to conform within the limits set by the above section.

**FINDING NUMBER 2002-003**

Ohio Revised Code § 5705.14 states no transfer of funds can be made from one fund of the subdivision to any other fund except for specific cases and that transfers made from the general fund to any other fund may be made only with the approval of the Board.

In 2001, the financial records show transfers from the General fund to the Permissive Motor Vehicles, Gas Tax and Issue II funds without being approved by the Board. In 2002, a transfer from the General Fund to the Road and Bridge Fund was not approved by the Board. We recommend the Township authorize all transfers following the above requirements.



**Auditor of State  
Betty Montgomery**

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**THOMPSON 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  
JUNE 17, 2003**