



**BIG SPRING TOWNSHIP
SENECA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BIG SPRING TOWNSHIP
SENECA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Big Spring Township
Seneca County
7380 Township Road 90
New Riegel, Ohio 44853-9782

To the Board of Trustees:

We have audited the accompanying financial statements of Big Spring Township (the Township) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2001 and 2000, 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 February 27, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board 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

February 27, 2002

**BIG SPRING TOWNSHIP
SENECA 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, 2001**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$12,075	\$55,596			\$67,671
Intergovernmental	65,624	71,433	\$16,897		153,954
Special Assessments		1,732			1,732
Charges for Services	3,469				3,469
Earnings on Investments	2,439	1,369			3,808
Other Revenue		6,124		\$68,400	74,524
	<u>83,607</u>	<u>136,254</u>	<u>16,897</u>	<u>68,400</u>	<u>305,158</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	33,848	21,700			55,548
Public Safety	15,990				15,990
Public Works	3,000	18,629			21,629
Health	5,036				5,036
Capital Outlay		155,030	16,897		171,927
	<u>57,874</u>	<u>195,359</u>	<u>16,897</u>		<u>270,130</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>25,733</u>	<u>(59,105)</u>		<u>68,400</u>	<u>35,028</u>
Other Financing Receipts:					
Sale of Fixed Assets		17,300			17,300
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	25,733	(41,805)		68,400	52,328
Fund Cash Balances, January 1	<u>12,877</u>	<u>110,175</u>			<u>123,052</u>
Fund Cash Balances, December 31	<u>\$38,610</u>	<u>\$68,370</u>		<u>\$68,400</u>	<u>\$175,380</u>

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

**BIG SPRING 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, 2000**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$9,352	\$53,005		\$62,357
Intergovernmental	51,801	71,499	\$20,000	143,300
Special Assessments		1,521		1,521
Charges for Services	2,030			2,030
Earnings on Investments	3,205	2,808		6,013
	<u>66,388</u>	<u>128,833</u>	<u>20,000</u>	<u>215,221</u>
Total Cash Receipts				
	<u>66,388</u>	<u>128,833</u>	<u>20,000</u>	<u>215,221</u>
Cash Disbursements:				
Current:				
General Government	61,508			61,508
Public Safety	15,990			15,990
Public Works	2,400	13,004		15,404
Health	4,998			4,998
Capital Outlay		137,650	20,000	157,650
	<u>84,896</u>	<u>150,654</u>	<u>20,000</u>	<u>255,550</u>
Total Cash Disbursements				
	<u>84,896</u>	<u>150,654</u>	<u>20,000</u>	<u>255,550</u>
Total Disbursements Over Receipts	(18,508)	(21,821)		(40,329)
Fund Cash Balances, January 1	31,385	131,996		163,381
Fund Cash Balances, December 31	<u>\$12,877</u>	<u>\$110,175</u>		<u>\$123,052</u>

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

**BIG SPRING TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Big Spring 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 maintenance and general governmental services. The Township contracts with the Village of New Riegel 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. Cash

The Township's cash consists of a savings account which is 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:

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

**BIG SPRING TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

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

3. Capital Project Fund

These funds are 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:

Public Works Projects Fund - The Township received a grant from the State of Ohio to repair Township roads.

4. Fiduciary Fund (Agency Fund)

This fund is used to account for funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

H J C Escrow Account Fund - This fund received insurance proceeds to be held for removing, repairing or securing structure damaged by fire pursuant to provisions of section 3929.86, Ohio Revised Code.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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) 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 2001 and 2000 budgetary activity appears in Note 3.

**BIG SPRING TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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.

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>2001</u>	<u>2000</u>
Demand deposits	<u>\$175,380</u>	<u>\$123,052</u>

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$80,855	\$83,607	\$2,752
Special Revenue	151,603	153,554	1,951
Capital Projects	16,897	16,897	
Fiduciary	68,400	68,400	
Total	<u>\$317,755</u>	<u>\$322,458</u>	<u>\$4,703</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,809	\$57,874	\$14,935
Special Revenue	238,352	195,359	42,993
Capital Projects		16,897	(16,897)
Total	<u>\$311,161</u>	<u>\$270,130</u>	<u>\$41,031</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$71,461	\$66,388	(\$5,073)
Special Revenue	110,859	128,833	17,974
Capital Projects	20,000	20,000	
Total	<u>\$202,320</u>	<u>\$215,221</u>	<u>\$12,901</u>

**BIG SPRING TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$94,761	\$84,896	\$9,865
Special Revenue	244,476	150,654	93,822
Capital Projects		20,000	(20,000)
Total	<u>\$339,237</u>	<u>\$255,550</u>	<u>\$83,687</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Public Works Projects fund by \$16,897 and \$20,000 for the years ended December 31, 2001 and 2000. Also, the Township did not have Board approval to amend appropriations in accordance with the Ohio Revised Code.

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 payment, 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. 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000. The Township has paid all contributions required through December 31, 2001.

**BIG SPRING TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RISK MANAGEMENT

Risk Pool Membership

The Township is a member of the Ohio Township Risk Management Authority Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may make supplemental assessments if the experience of the overall pool is unfavorable. The Pool covers the following risks:

- General liability and casualty;
- Wrongful acts; and
- Vehicle.

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2000</u>	<u>1999</u>
Cash and investments	\$22,684,383	\$18,172,222
Actuarial liabilities	\$8,924,977	\$5,947,013

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

Big Spring Township
Seneca County
7380 Township Road 90
New Riegel, Ohio 44853-9782

To the Board of Trustees:

We have audited the accompanying financial statements of Big Spring Township (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated February 27, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we 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 audit 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 2001-40574-001, 2001-40574-002 and 2001-40574-003. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated February 27, 2002.

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 February 27, 2002.

Big Spring Township
Seneca County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of 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.

Jim Petro
Auditor of State

February 27, 2002

**BIG SPRING TOWNSHIP
SENECA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-40574-001

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states no subdivision shall make any expenditure of money unless it has been lawfully appropriated. In year 2001, the Township's Public Works Project Fund expenditures of \$16,897 were not appropriated, thus expenditures exceeded appropriations by that amount. In year 2000, the Township's Public Works Project Fund expenditures of \$20,000 were not appropriated, thus expenditures exceeded appropriations by that amount. This situation could allow deficit balances to occur if spending is not limited to appropriations. Actual revenues were sufficient as to allow the Township to make supplemental appropriations. The Clerk should not approve purchase orders or payments exceeding appropriations. If sufficient resources exist, the Clerk should request the Board of Trustees to amend appropriations. The Clerk should review MAS Bulletin 89-17 and Auditor of State Bulletin 2000-008 which give recommended accounting treatments for Issue II Funds.

FINDING NUMBER 2001-40574-002

Noncompliance Citation

Ohio Revised Code § 5705.40 requires amended appropriations be approved by the Board of Trustees. The Clerk adjusted appropriations in the Public Works Project Fund during year 2001 and 2000 without the approval of the Board of Trustees. As a result, expenditures were made against unauthorized appropriations. We recommend the Board of Trustees approve all appropriation modifications by including a resolution in the minutes.

FINDING NUMBER 2001-40574-003

Finding Repaid Under Audit

A township trustee's salary was miscalculated for the period under the audit by \$1,200. During the 1998 and 1999 audit, the Trustee was underpaid and the Clerk tried to make up the difference by recalculating the amount in 2000 and ended up overpaying the Trustee. As a result, a net overpayment in the amount of \$1,200 was made in violation of Ohio Revised Code § 505.24.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for illegal expenditures is hereby issued against Vern Elchert in the amount of one thousand, two hundred dollars (\$1,200), and in favor of Big Spring Township.

The finding was repaid on February 23, 2002 in the amount of one thousand, two hundred dollars.

**BIG SPRING TOWNSHIP
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-5020-01	Revised Code § 5705.41(D), failure to certify funds.	No	This finding was partially corrected. This section will be repeated in the Management Letter.



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BIG SPRING 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
MARCH 28, 2002**