

**NORTH BLOOMFIELD TOWNSHIP
MORROW COUNTY**

REGULAR AUDIT

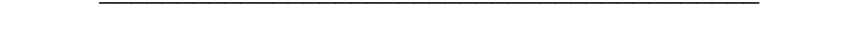
FOR THE YEARS ENDED DECEMBER 31, 2003 & 2002

Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS



213 South Paint Street • Chillicothe, Ohio 45601-3828
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**Auditor of State
Betty Montgomery**

Board of Trustees
North Bloomfield Township
4825 County Road 31
Galion, Ohio 44833

We have reviewed the Independent Auditor's Report of North Bloomfield Township, Morrow County, prepared by Whited Seigneur Sams & Rahe, LLP, for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. North Bloomfield Township is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 29, 2004

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**NORTH BLOOMFIELD TOWNSHIP
MORROW COUNTY, OHIO**

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Whited Seigneur Sams & Rahe, LLP

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August 4, 2004

Board of Trustees
North Bloomfield Township
Morrow County
4825 County Road 31
Galion, OH 44833

Report of Independent Auditor

We have audited the accompanying financial statements of North Bloomfield Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2003 and 2002. 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 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 North Bloomfield Township, Morrow County, Ohio, as of December 31, 2003 and 2002, 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 a report dated August 4, 2004 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 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 management, the Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**NORTH BLOOMFIELD TOWNSHIP
MORROW COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
CASH RECEIPTS			
Local Taxes	\$ 28,477	\$ 55,059	\$ 83,536
Intergovernmental Receipts	19,866	67,878	87,744
Earnings on Investments	996	294	1,290
Other	<u>252</u>	<u>1,190</u>	<u>1,442</u>
TOTAL CASH RECEIPTS	49,591	124,421	174,012
CASH DISBURSEMENTS			
Current:			
General Government	50,733	0	50,733
Public Safety	1,120	33,000	34,120
Public Works	0	96,873	96,873
Health	1,890	2,026	3,916
Miscellaneous	3,749	0	3,749
Capital Outlay	<u>0</u>	<u>959</u>	<u>959</u>
TOTAL CASH DISBURSEMENTS	<u>57,492</u>	<u>132,858</u>	<u>190,350</u>
TOTAL CASH RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS	(7,901)	(8,437)	(16,338)
OTHER FINANCING SOURCES			
Sale of Assets	<u>0</u>	<u>24,122</u>	<u>24,122</u>
TOTAL OTHER FINANCING SOURCES	<u>0</u>	<u>24,122</u>	<u>24,122</u>
EXCESS OF CASH RECEIPTS AND OTHER FINANCING SOURCES OVER/(UNDER) CASH DISBURSEMENTS	(7,901)	15,685	7,784
Fund Cash Balances, January 1, 2003	<u>35,075</u>	<u>78,720</u>	<u>113,795</u>
Fund Cash Balances, December 31, 2003	<u>\$ 27,174</u>	<u>\$ 94,405</u>	<u>\$ 121,579</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**NORTH BLOOMFIELD TOWNSHIP
MORROW COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types		(Memorandum Only)
	General	Special Revenue	Total
CASH RECEIPTS			
Local Taxes	\$ 27,276	\$ 43,122	\$ 70,398
Intergovernmental Receipts	20,633	61,231	81,864
Earnings on Investments	1,195	380	1,575
Other	0	2,310	2,310
TOTAL CASH RECEIPTS	49,104	107,043	156,147
CASH DISBURSEMENTS			
Current:			
General Government	49,780	0	49,780
Public Safety	1,120	25,000	26,120
Public Works	5,000	71,180	76,180
Health	5,212	678	5,890
Miscellaneous	0	200	200
TOTAL CASH DISBURSEMENTS	61,112	97,058	158,170
TOTAL CASH RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS	(12,008)	9,985	(2,023)
Fund Cash Balances, January 1, 2002	47,083	68,735	115,818
Fund Cash Balances, December 31, 2002	\$ 35,075	\$ 78,720	\$ 113,795

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**NORTH BLOOMFIELD TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Description of the Entity**

North Bloomfield Township, Morrow County, Ohio (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 and cemetery operations. The Township contracts with the Iberia Volunteer Fire Department to provide fire protection and emergency medical services.

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

- **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.

- **Cash and Investments**

Certificates of deposit are valued at cost.

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

- **Fund Accounting**

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

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.

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 to construct, maintain, and repair Township roads and bridges.

**NORTH BLOOMFIELD TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Fund Accounting (Continued)**

Special Revenue Funds (Continued)

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

Fire District Fund - This fund receives property tax money to provide fire protection and emergency medical services to Township residents.

Cemetery Fund - This fund receives property tax money and fees to maintain and repair Township cemeteries.

- **Budgetary Process**

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

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.

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.

Encumbrances - The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

- **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:

	2003	2002
Demand Deposits	\$ 94,110	\$ 86,326
Certificates of Deposit	27,469	27,469
	\$ 121,579	\$ 113,795

**NORTH BLOOMFIELD TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

2. EQUITY IN POOLED CASH (Continued)

- **Deposits**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 were as follows:

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 49,900	\$ 49,591	\$ (309)
Special Revenue	<u>119,400</u>	<u>148,543</u>	<u>29,143</u>
Total	<u>\$ 169,300</u>	<u>\$ 198,134</u>	<u>\$ 28,834</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 85,845	\$ 57,492	\$ 28,353
Special Revenue	<u>197,251</u>	<u>132,858</u>	<u>64,393</u>
Total	<u>\$ 283,096</u>	<u>\$ 190,350</u>	<u>\$ 92,746</u>

2002 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 49,000	\$ 49,104	\$ 104
Special Revenue	<u>116,700</u>	<u>107,043</u>	<u>(9,657)</u>
Total	<u>\$ 165,700</u>	<u>\$ 156,147</u>	<u>\$ (9,553)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 96,071	\$ 61,112	\$ 34,959
Special Revenue	<u>185,343</u>	<u>97,058</u>	<u>88,285</u>
Total	<u>\$ 281,414</u>	<u>\$ 158,170</u>	<u>\$ 123,244</u>

**NORTH BLOOMFIELD TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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.

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 post-retirement 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 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

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 insurance 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 Insurance**

OTARMA retains casualty risks up to \$250,000 per claim. 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, from the General Reinsurance Corporation.

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.

**NORTH BLOOMFIELD TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

6. RISK MANAGEMENT (Continued)

• **Property Insurance**

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.

7. LEGAL COMPLIANCE

Pursuant to Section 117.11 of the Ohio Revised Code, the Independent Public Accountant performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate. The Auditor's recommendations and citations are included in a separate part of this presentation.

Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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August 4, 2004

Board of Trustees
North Bloomfield Township
Morrow County
4825 County Road 31
Galion, Ohio 44833

Report of Independent Auditor on Compliance and on Internal Control Required by *Government Auditing Standards*

We have audited the accompanying financial statements of North Bloomfield Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 4, 2004. 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 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 2003-001, 2003-002 and 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated August 4, 2004.

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 August 4, 2004.

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

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**NORTH BLOOMFIELD TOWNSHIP
MORROW COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDING NUMBER 2003-001

Ohio Rev. Code Section 5705.34 provides that each taxing authority is to pass a resolution to authorize the necessary tax levies and certify the levies to the county auditor before October 1st.

The Township's minutes did not indicate the passage of this annual resolution nor were we presented with actual resolutions as evidence of compliance. We, therefore, concluded that these annual resolutions were never passed by the Board of Trustees and remitted to the Morrow County Auditor.

FINDING NUMBER 2003-002

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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. Further, contracts and order for expenditures lacking prior certification should be considered null and void.

This section provides two exceptions to the above requirements:

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 certificate, appropriated and free from any previous encumbrances, the Board of Trustees may authorize the issuance of a check 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.

If the amount involved is less than \$3,000, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Approximately 30% of transactions tested were not certified prior to the commitment being incurred. We noted that the then-and-now certificate could have been used much more effectively instead of obtaining the prior certification. Obtaining prior certification or the use of a then-and-now certificate is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive approval, and to help reduce the possibility of the Township funds being over expended or exceeding budgetary spending limitations. This finding had been cited in the prior audit.

FINDING NUMBER 2003-003

Ohio Rev. Code Section 5705.36 provides that on or about the first day of each fiscal year, the township clerk is to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. Ohio Rev. Code Section 5705.36 also allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

In 2003, the Gas Tax and Fire District Funds were found to have actual receipts less than what was estimated. This means that the Township could have obtained a reduced amended certificate of estimated resources and made a corresponding reduction in appropriated amounts.



**Auditor of State
Betty Montgomery**

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NORTH BLOOMFIELD TOWNSHIP

MORROW 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
OCTOBER 12, 2004**