



Mary Taylor, CPA  
Auditor of State



**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

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**Mary Taylor, CPA**  
Auditor of State

Bazetta Township  
Trumbull County  
3372 State Route 5 NE  
Cortland, Ohio 44410

To the Township Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

March 19, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Bazetta Township  
Trumbull County  
3372 State Route 5 NE  
Cortland, Ohio 44410

To the Township Board of Trustees:

We have audited the accompanying financial statements of Bazetta Township, Trumbull County, (the Township) as of and for the years ended December 31, 2006 and 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Bazetta Township, Trumbull County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2008, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

March 19, 2008

**BAZETTA TOWNSHIP  
TRUMBULL 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, 2006**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Private Purpose Trust	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$247,473	\$1,721,077	\$114,914		\$2,083,464
Charges for Services		315,825			315,825
Licenses, Permits, and Fees	466	46,239			46,705
Fines and Forfeitures		205			205
Intergovernmental	222,937	270,593			493,530
Special Assessments		2,921			2,921
Earnings on Investments	22,343			\$134	22,477
Miscellaneous	52,036	155,856			207,892
Gifts		1,425			1,425
<b>Total Cash Receipts</b>	<b>545,255</b>	<b>2,514,141</b>	<b>114,914</b>	<b>134</b>	<b>3,174,444</b>
<b>Cash Disbursements:</b>					
Current:					
General Government	336,560	50,614		426	387,600
Public Safety	36,440	1,855,299			1,891,739
Public Works	13,501	278,582			292,083
Health	32,112	65,738			97,850
Conservation-Recreation	3,711				3,711
Contract Services	10,826				10,826
Capital Outlay	9,564	96,297			105,861
Debt Service:					
Redemption of Principal			94,087		94,087
Interest and Other Fiscal Charges			20,821		20,821
<b>Total Cash Disbursements</b>	<b>442,714</b>	<b>2,346,530</b>	<b>114,908</b>	<b>426</b>	<b>2,904,578</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>102,541</b>	<b>167,611</b>	<b>6</b>	<b>(292)</b>	<b>269,866</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In		4,600			4,600
Transfers-Out	(4,600)				(4,600)
Advances-In		33,670			33,670
Advances-Out	(33,670)				(33,670)
Other Financing Sources		7,600			7,600
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(38,270)</b>	<b>45,870</b>	<b>0</b>	<b>0</b>	<b>7,600</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements</b>	<b>64,271</b>	<b>213,481</b>	<b>6</b>	<b>(292)</b>	<b>277,466</b>
Fund Cash Balance, January 1	125,103	411,216	6	4,046	540,371
<b>Fund Cash Balance, December 31</b>	<b>\$189,374</b>	<b>\$624,697</b>	<b>\$12</b>	<b>\$3,754</b>	<b>\$817,837</b>

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

**BAZETTA TOWNSHIP  
TRUMBULL 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, 2005**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Private Purpose Trust	
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$185,980	\$1,387,824	\$116,993			\$1,690,797
Charges for Services		383,588				383,588
Licenses, Permits, and Fees	525	56,980				57,505
Fines and Forfeitures		261				261
Intergovernmental	212,977	310,716	12,152	\$48,046		583,891
Special Assessments		2,883				2,883
Earnings on Investments	13,068	3,664			\$69	16,801
Miscellaneous	44,008	134,776				178,784
Gifts	1,030	12,890				13,920
<b>Total Cash Receipts</b>	<b>457,588</b>	<b>2,293,582</b>	<b>129,145</b>	<b>48,046</b>	<b>69</b>	<b>2,928,430</b>
<b>Cash Disbursements:</b>						
Current:						
General Government	345,871	39,022			273	385,166
Public Safety	51,896	2,004,529				2,056,425
Public Works	2,810	277,415		48,046		328,271
Health	18,690	62,222				80,912
Human Services	16,404					16,404
Conservation-Recreation	3,824					3,824
Contract Services	6,988					6,988
Capital Outlay	27,671	167,531		10,153		205,355
Debt Service:						
Redemption of Principal			99,518			99,518
Interest and Other Fiscal Charges			29,621			29,621
<b>Total Cash Disbursements</b>	<b>474,154</b>	<b>2,550,719</b>	<b>129,139</b>	<b>58,199</b>	<b>273</b>	<b>3,212,484</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(16,566)</b>	<b>(257,137)</b>	<b>6</b>	<b>(10,153)</b>	<b>(204)</b>	<b>(284,054)</b>
<b>Other Financing Receipts/(Disbursements):</b>						
Transfers-In		72,873				72,873
Transfers-Out	(72,873)					(72,873)
Advances-In	17,147	34,500				51,647
Advances-Out	(34,500)			(17,147)		(51,647)
Other Financing Sources		5,200				5,200
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(90,226)</b>	<b>112,573</b>	<b>0</b>	<b>(17,147)</b>	<b>0</b>	<b>5,200</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements</b>	<b>(106,792)</b>	<b>(144,564)</b>	<b>6</b>	<b>(27,300)</b>	<b>(204)</b>	<b>(278,854)</b>
Fund Cash Balance, January 1	231,895	555,780	0	27,300	4,250	819,225
<b>Fund Cash Balance, December 31</b>	<b>\$125,103</b>	<b>\$411,216</b>	<b>\$6</b>	<b>\$0</b>	<b>\$4,046</b>	<b>\$540,371</b>

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

**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Bazetta Township, Trumbull County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire and police protection and emergency medical services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit and repurchase agreements at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**D. 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:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

Fire District Fund – This fund receives property tax money to provide fire protection to the residents of the Township.

Police District Fund – This fund receives property tax money to provide police protection to the residents of the Township.

**3. Debt Service Fund**

This fund accounts for resources the Township accumulates to pay note debt.

**4. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township's capital project fund accounted for an Issue II Grant from the State of Ohio to finance the upgrade of Burnett Road.

**5. Fiduciary Fund**

The fiduciary fund includes a private purpose trust fund. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund accounts for trust arrangements under which income from the trust may only be used to maintain the cemetery plots of certain individuals.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Equity in Pooled Cash and Investments**

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

	<u>2005</u>	<u>2006</u>
Demand deposits	\$42,636	\$229,704
Certificates of deposit	21,775	21,775
Total deposits	<u>64,411</u>	<u>251,479</u>
Repurchase Agreements	4,664	253,219
STAR Ohio	471,296	313,138
Total Investments	<u>475,960</u>	<u>566,357</u>
Total deposits and investments	<u><u>\$540,371</u></u>	<u><u>\$817,836</u></u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**Investments:** The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name. Investments in STAR Ohio are not evidenced by securities that exist in physical or book entry form.

**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and December 31, 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$393,227	\$545,255	\$152,028
Special Revenue	2,395,318	2,526,341	131,023
Debt Service	114,914	114,914	0
Private Purpose Trust	0	134	134
Total	\$2,903,459	\$3,186,644	\$283,185

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$518,329	\$447,314	\$71,015
Special Revenue	2,798,534	2,346,530	452,004
Debt Service	114,920	114,908	12
Private Purpose Trust	4,046	426	3,620
Total	\$3,435,829	\$2,909,178	\$526,651

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$466,357	\$457,588	(\$8,769)
Special Revenue	2,253,418	2,371,655	118,237
Debt Service	129,145	129,145	0
Capital Projects	48,046	48,046	0
Private Purpose Trust	0	69	69
Total	\$2,896,966	\$3,006,503	\$109,537

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$591,879	\$547,027	\$44,852
Special Revenue	2,875,825	2,550,719	325,106
Debt Service	129,145	129,139	6
Capital Projects	58,199	58,199	0
Private Purpose Trust	4,250	273	3,977
Total	\$3,659,298	\$3,285,357	\$373,941

**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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, 2006 was as follows:

	Principal	Interest Rate
General Obligation Note - Police	\$43,792	4.65%
General Obligation Note - Fire Trucks	383,739	4.29%
Total	\$427,531	

The Township issued general obligation notes to finance construction of a police building and purchase fire trucks. The Township's taxing authority collateralized the notes.

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

	Police Building Note	Fire Trucks Note
Year ending December 31:		
2007	\$48,033	\$64,776
2008		64,776
2009		64,776
2010		64,776
2011 – 2013		194,328
Total	\$48,033	\$453,432

**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, the Township contributed to OP&F an amount equal to 24% of fire fighters' wages. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. For 2006 and 2005, the Township's law enforcement officers contributed 10.1 percent of their gross salaries to OPERS and the Township contributed an amount equal to 16.93 and 16.7%, respectively, of the law enforcement officers' gross salaries. The Township has paid all contributions required through December 31, 2006.

**7. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$36,466. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b><u>Contributions to OTARMA</u></b>	
2004	\$17,603
2005	\$17,850
2006	\$18,616

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Bazetta Township  
Trumbull County  
3372 State Route 5 NE  
Cortland, Ohio 44010

To the Township Board of Trustees:

We have audited the financial statements of Bazetta Township, Trumbull County (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated March 19, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We noted certain matters that we reported to the Township's management in a separate letter dated March 19, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated March 19, 2008.

We intend this report solely for the information and use of the management and Township Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

March 19, 2008

**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> <u>Valid</u> ; <b><i>Explain:</i></b>
2004-001	Violation Of Ohio Rev. Code Section 5705.41(D) for failure of the fiscal officer to certify the availability of funds prior to incurring obligations in 37% of non-payroll expenditures.	No	Partially Corrected - No longer considered a material noncompliance and has been reissued as part of the Township's management letter.





Mary Taylor, CPA  
Auditor of State

**BAZETTA TOWNSHIP**

**TRUMBULL 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  
APRIL 22, 2008**