



**Auditor of State
Betty Montgomery**

**SPRIGG TOWNSHIP
ADAMS COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Sprigg Township
Adams County
3106 Cabin Creek Road
Manchester, Ohio 45144

To the Board of Trustees:

We have audited the accompanying financial statements of Sprigg Township, Adams 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 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.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code, Section 117.101, requires the Auditor of State to provide UAN services, and Ohio Revised Code, Section 117.11(B) and 115.56, mandate the Auditor of State to audit Ohio governments.

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 and reserves for encumbrances of the Township 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 our report dated June 28, 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 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 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.

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

Betty Montgomery
Auditor of State

June 28, 2004

**SPRIGG TOWNSHIP
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Local Taxes	\$35,874	\$57,154	\$93,028
Intergovernmental	113,678	119,256	232,934
Earnings on Investments	198	96	294
Other Revenue		2,723	2,723
	<u>149,750</u>	<u>179,229</u>	<u>328,979</u>
Cash Disbursements:			
Current:			
General Government	44,131	46,877	91,008
Public Safety	7,196	18,696	25,892
Public Works		110,180	110,180
Health	38,875		38,875
Debt Service:			
Redemption of Principal	50,621		50,621
Interest and Fiscal Charges	3,658		3,658
	<u>144,481</u>	<u>175,753</u>	<u>320,234</u>
Total Cash Disbursements			
	<u>144,481</u>	<u>175,753</u>	<u>320,234</u>
Total Receipts Over/(Under) Disbursements	<u>5,269</u>	<u>3,476</u>	<u>8,745</u>
Other Financing Receipts and (Disbursements):			
Transfers-In	50,000	20,000	70,000
Transfers-Out	(20,000)	(50,000)	(70,000)
	<u>30,000</u>	<u>(30,000)</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)			
	<u>30,000</u>	<u>(30,000)</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	35,269	(26,524)	8,745
Fund Cash Balances, January 1	<u>26,292</u>	<u>80,400</u>	<u>106,692</u>
Fund Cash Balances, December 31	<u>\$61,561</u>	<u>\$53,876</u>	<u>\$115,437</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$1,758</u>	<u>\$1,758</u>

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

**SPRIGG TOWNSHIP
ADAMS COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Local Taxes	\$33,957	\$45,086	\$79,043
Intergovernmental	62,407	103,478	165,885
Earnings on Investments	278	126	404
Other Revenue		302	302
	<u>96,642</u>	<u>148,992</u>	<u>245,634</u>
Cash Disbursements:			
Current:			
General Government	37,745		37,745
Public Safety	10,783		10,783
Public Works	5,443	121,863	127,306
Health	33,248		33,248
Debt Service:			
Redemption of Principal	3,858		3,858
Interest and Fiscal Charges	3,281		3,281
Capital Outlay	114,200		114,200
	<u>208,558</u>	<u>121,863</u>	<u>330,421</u>
Total Receipts Over/(Under) Disbursements	<u>(111,916)</u>	<u>27,129</u>	<u>(84,787)</u>
Other Financing Receipts and (Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes	105,000		105,000
Transfers-In	10,000		10,000
Transfers-Out		(10,000)	(10,000)
Other Sources	28		28
	<u>115,028</u>	<u>(10,000)</u>	<u>105,028</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,112	17,129	20,241
Fund Cash Balances, January 1	<u>23,180</u>	<u>63,271</u>	<u>86,451</u>
Fund Cash Balances, December 31	<u>\$26,292</u>	<u>\$80,400</u>	<u>\$106,692</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$1,693</u>	<u>\$1,693</u>

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

**SPRIGG TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Sprigg Township, Adams 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 road and bridge maintenance. The Township contracts with the Manchester Fireman's Benefit Association to provide fire and ambulance 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 Deposits

The Township maintains all funds in an interest-bearing checking account.

D. Fund Accounting

The Township uses fund accounting to segregate cash deposits that are 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.

**SPRIGG TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, however, the Township did not have material encumbrances outstanding at December 31, 2003 and 2002.

A summary of 2003 and 2002 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2003</u>	<u>2002</u>
Demand deposits	<u>\$106,692</u>	<u>\$115,437</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**SPRIGG TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,245	\$199,750	\$127,505
Special Revenue	130,509	199,229	68,720
Total	\$202,754	\$398,979	\$196,225

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$98,539	\$164,481	(\$65,942)
Special Revenue	310,877	227,511	83,366
Total	\$409,416	\$391,992	\$17,424

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$92,800	\$211,670	\$118,870
Special Revenue	224,182	148,992	(75,190)
Total	\$316,982	\$360,662	\$43,680

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$123,810	\$208,558	(\$84,748)
Special Revenue	288,145	133,556	154,589
Total	\$411,955	\$342,114	\$69,841

Appropriations exceeded estimated resources in the General Fund in 2002 and in the Motor Vehicle License Tax and Gas Funds in 2003. Township expenditures exceeded appropriation in the General Fund in 2002 and the General, Road and Bridge and Road District Funds in 2003.

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.

**SPRIGG TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX (Continued)

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, 2003 was as follows:

	Principal	Interest Rate
General Obligation Notes	50,494	6.25%
Total	\$50,494	

The general obligation notes were issued in March 2002, in the amount of \$105,000, to finance the purchase of a new fire truck to be used for Township fire protection. The bonds are collateralized solely by the Township's taxing authority.

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

	Fire Truck Note
Year ending December 31:	
2004	\$14,279
2005	14,279
2006	14,279
2007	14,279
2008	853
Total	\$57,969

6. 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. 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.

**SPRIGG TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public Official's Liability; and
- Vehicles

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Auditor of State Betty Montgomery

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

Sprigg Township
Adams County
3106 Cabin Creek Road
Manchester, Ohio 45144

To the Board of Trustees:

We have audited the accompanying financial statements of Sprigg Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 28, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented and, as requested, operates UAN. 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 accompanying schedule of findings as item 2003-001 through 2003-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 28, 2004.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 and 2003-003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. 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 June 28, 2004.

This report is intended solely for the information and use of 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

June 28, 2004

**SPRIGG TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This Section also provides for two exceptions to the above requirement:

- A. Then-and-Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Township may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$3,000 (after April 7, 2003) and \$1,000 (before April 7, 2003), the fiscal officer may authorize payment through a Then-and-Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, the availability of funds was not certified for 90% of the items tested for fiscal year 2003 and 2002. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances. Additionally, a search for unrecorded liabilities at December 31, 2002 and 2003, discovered that the Road and Bridge Fund had obligations of \$1,758 at the end of 2003, which were not properly encumbered. Therefore, we recommend the Township obtain approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2003-002

Material Noncompliance

Ohio Rev. Code, Section 5705.39, prohibits appropriations in excess of estimated resources. The Township had appropriations in excess of estimated resources as follows:

Year	Fund	Total Certified Resources	Appropriations	Variance
2002	General	\$ 108,891	\$ 123,810	\$ (14,919)
2003	Motor Vehicle License Tax	15,703	48,212	(32,509)
2003	Gasoline Tax	74,938	142,397	(67,459)

FINDING NUMBER 2003-003

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations in the following fund for 2002 and 2003:

Year	Fund	Appropriations	Actual Expenditures	Variance
2002	General	\$ 123,810	\$ 208,558	\$ (84,748)
2003	General	98,539	164,481	(65,942)
2003	Road and Bridge	121,961	141,417	(19,456)
2003	Road District	0	15,476	(15,476)

The Clerk should deny payment requests exceeding appropriations. The Clerk may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2003-004

Noncompliance Citation

Ohio Rev. Code, Section 505.24, states a Township Board of Trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments and the amount of the salary shall be paid from the General Fund or from other township funds in such proportions as the board may specify by resolution. The board passed a retroactive resolution in 2003 specifying the funds from which the Trustees were to be compensated. The resolution indicated that Trustees were to be paid one month from the General Fund, Motor Vehicle License Fund, and Gas Fund, and nine months from the Road and Bridge Fund.

However, in 2002 for seven of the nine months in which the Trustees were to be compensated from the Road and Bridge Fund, one Trustee was actually paid from the Gas Fund. In 2003, for one of the nine months in which all of the Trustees were to be compensated from the Road and Bridge Fund, they were actually paid from the Township's Gas Fund. The remaining months in both 2003 and 2002 were paid in accordance with the resolution.

The total amounts which were paid from the Gas Fund and should have been paid from the Road and Bridge Fund in 2003 and 2002, were \$4,333 and \$1,873, respectively. These adjustments have been made to these financial statements and the Township records. In addition, the Trustees' salaries need to be paid in the same proportion as the services provided to the activities supported by such funds and a resolution should be passed at the beginning of each year stating the salary allocation for the year.

**SPRIGG TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40401-001	ORC 5705.39, appropriations were in excess of estimated revenues.	No.	Not corrected. See finding 2003-002
2001-40401-002	ORC 5705.41(D), invoice date preceded purchase order date.	No.	Not corrected. See finding 2003-001.



**Auditor of State
Betty Montgomery**

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SPRIGG TOWNSHIP

ADAMS 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
AUGUST 5, 2004**