

Waldo Township

Marion County, Ohio

Regular Audit

For the Years Ended December 31, 2003 and 2002

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Board of Trustees
Waldo Township

We have reviewed the Independent Auditor's Report of Waldo Township, Marion County, prepared by Balestra, Harr & Scherer, CPAs, Inc. 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. Waldo Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 8, 2004

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Waldo Township
Marion County, Ohio
For the Years Ended December 31, 2003 and 2002
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

Board of Trustees
Waldo Township
Marion County, Ohio
1994 Rengert Road
Waldo, Ohio 43356

We have audited the accompanying financial statements of Waldo Township, Marion 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Waldo Township, Marion 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 our report dated July 30, 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 audits.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

July 30, 2004

Waldo Township
Marion 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$32,121	\$5,922	\$38,043
Intergovernmental	31,105	60,400	91,505
Licenses, Permits, and Fees	6,337	0	6,337
Charges for Services	202	0	202
Earnings on Investments	2,627	1,181	3,808
Other Revenue	0	5,300	5,300
	<u>72,392</u>	<u>72,803</u>	<u>145,195</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	36,710	0	36,710
Public Works	0	41,867	41,867
Health	20,297	1,234	21,531
Other	50	0	50
Capital Outlay	0	34,000	34,000
Total Cash Disbursements	<u>57,057</u>	<u>77,101</u>	<u>134,158</u>
	<u>15,335</u>	<u>(4,298)</u>	<u>11,037</u>
Total Receipts Over/(Under) Disbursements			
Fund Cash Balances, January 1	<u>160,514</u>	<u>211,006</u>	<u>371,520</u>
Fund Cash Balances, December 31	<u><u>\$175,849</u></u>	<u><u>\$206,708</u></u>	<u><u>\$382,557</u></u>

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

Waldo Township
Marion 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		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Local Taxes	\$30,446	\$5,671	\$36,117
Intergovernmental	14,975	56,360	71,335
Licenses, Permits, and Fees	5,101	0	5,101
Earnings on Investments	4,225	1,867	6,092
Other Revenue	10	2,619	2,629
	<u>54,757</u>	<u>66,517</u>	<u>121,274</u>
Cash Disbursements:			
Current:			
General Government	37,791	0	37,791
Public Works	0	45,240	45,240
Health	22,367	1,045	23,412
Other	50	0	50
Capital Outlay	38,000	0	38,000
Total Cash Disbursements	<u>98,208</u>	<u>46,285</u>	<u>144,493</u>
Total Receipts Over/(Under) Disbursements	<u>(43,451)</u>	<u>20,232</u>	<u>(23,219)</u>
Fund Cash Balances, January 1	<u>203,965</u>	<u>190,774</u>	<u>394,739</u>
Fund Cash Balances, December 31	<u>\$160,514</u>	<u>\$211,006</u>	<u>\$371,520</u>

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

Waldo Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Waldo Township, Marion 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 and cemetery maintenance. Fire protection and emergency medical services for the Township are provided by the Fort Morrow Fire District.

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 and Investments

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.

Certificates of deposit are valued at cost. The Township's investment in STAR Ohio is recorded at share values reported by the State Treasurer.

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 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:

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

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

Waldo Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Accounting (Continued)

Gasoline Tax Fund – This fund receives gasoline tax money to construct, maintain and repair Township Roads.

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 and 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. Unencumbered appropriations lapse at year end.

2. 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.

3. Encumbrances

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

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 investment 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:

	2003	2002
Deposits	\$98,816	\$90,724
Certificates of deposit	16,000	16,000
Total deposits	114,816	106,724
STAR Ohio	267,741	264,796
Total deposits and investments	\$382,557	\$371,520

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution for its public deposits; or (3) collateralized by the financial institution's public entity deposit pool.

Waldo Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

<u>2003 Budgeted vs. Actual Receipts</u>			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$54,673	\$72,392	\$17,719
Special Revenue	63,709	72,803	9,094
Total	\$118,382	\$145,195	\$26,813

<u>2003 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$214,065	\$57,057	\$157,008
Special Revenue	273,300	77,101	196,199
Total	\$487,365	\$134,158	\$353,207

<u>2002 Budgeted vs. Actual Receipts</u>			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,426	\$54,757	(\$1,669)
Special Revenue	68,786	66,517	(2,269)
Total	\$125,212	\$121,274	(\$3,938)

<u>2002 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$249,600	\$98,208	\$151,392
Special Revenue	223,600	46,285	177,315
Total	\$473,200	\$144,493	\$328,707

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.

Waldo Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

4. PROPERTY TAX (Continued)

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. The Township has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

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 occurrence, including loss-adjustment expenses. 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.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures specific losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceed \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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.

Waldo Township
Marion County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

6. RISK MANAGEMENT (Continued)

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, 2002, which is the latest date available :

Casualty Coverage:	2002
Assets	\$23,757,036
Liabilities	(9,197,512)
Retained Earnings	<u>\$14,559,524</u>
Property Coverage:	
Assets	\$6,596,996
Liabilities	(1,204,326)
Retained Earnings	<u>\$5,392,670</u>

The Township has not incurred significant reductions in insurance coverage from coverage in the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Waldo Township
Marion County
1035 Owens Road West
Marion, Ohio 43302

We have audited the accompanying financial statements of Waldo Township, Marion County, Ohio, (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated July 30, 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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the Township in a separate letter dated July 30, 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 controls over financial reporting, which we have reported to the management of the Township in a separate letter dated July 30, 2004.

Waldo Township, Marion County, Ohio
Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
Page 2

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.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

July 30, 2004

Waldo Township
 Marion County, Ohio
 Schedule of Prior Audit Findings
 For the Years Ended December 31, 2003 and 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected or Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid, Explain:
2001-40651-001	Ohio Rev. Code Section 5705.41(D), failure to certify funds	Yes	Fully Corrected



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WALDO TOWNSHIP

MARION 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
SEPTEMBER 21, 2004**