



**Auditor of State
Betty Montgomery**

**BAZETTA TOWNSHIP
TRUMBULL COUNTY**

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**Auditor of State
Betty Montgomery**

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

To the 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 a February 2, 2005 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 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.

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Betty Montgomery
Auditor of State

August 26, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the 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, 2004 and 2003. 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 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 that 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 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, 2004, or its changes in financial position for the year then ended.

Also, 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 Bazetta Township, Trumbull County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 August 26, 2005, 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.



Betty Montgomery
Auditor of State

August 26, 2005

**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, 2004**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:						
Local Taxes	\$193,447	\$1,561,805	\$56,258			\$1,811,510
Intergovernmental	208,707	383,187	7,586			599,480
Special Assessments		2,926				2,926
Charges for Services		386,181				386,181
Licenses, Permits, and Fees	510	49,622				50,132
Fines, Forfeitures, and Penalties	1,095	45				1,140
Earnings on Investments	6,492	1,316			17	7,825
Gifts	300					300
Other Revenue	40,397	24,794				65,191
	<u>450,948</u>	<u>2,409,876</u>	<u>63,844</u>	<u>0</u>	<u>17</u>	<u>2,924,685</u>
Total Cash Receipts						
Cash Disbursements:						
Current:						
General Government	346,658	45,088				391,746
Public Safety	40,318	1,711,728				1,752,046
Public Works	5,772	238,789				244,561
Health	20,717	55,588				76,305
Human Services	23,308					23,308
Conservation - Recreation	200					200
Miscellaneous					273	273
Debt Service:						
Redemption of Principal		61,902	55,344			117,246
Interest and Fiscal Charges		2,874	10,452			13,326
Capital Outlay	154,224	804,782				959,006
	<u>591,197</u>	<u>2,920,751</u>	<u>65,796</u>	<u>0</u>	<u>273</u>	<u>3,578,017</u>
Total Cash Disbursements						
Total Receipts Over/(Under) Disbursements	<u>(140,249)</u>	<u>(510,875)</u>	<u>(1,952)</u>	<u>0</u>	<u>(256)</u>	<u>(653,332)</u>
Other Financing Receipts and (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes		535,905				535,905
Transfers-In		24,271	1,926	27,300		53,497
Transfers-Out	(53,497)					(53,497)
Other Sources	547	12,605				13,152
	<u>(52,950)</u>	<u>572,781</u>	<u>1,926</u>	<u>27,300</u>	<u>0</u>	<u>549,057</u>
Total Other Financing Receipts/(Disbursements)						
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(193,199)</u>	<u>61,906</u>	<u>(26)</u>	<u>27,300</u>	<u>(256)</u>	<u>(104,275)</u>
Fund Cash Balances, January 1	<u>425,093</u>	<u>493,873</u>	<u>26</u>	<u>0</u>	<u>4,505</u>	<u>923,497</u>
Fund Cash Balances, December 31	<u><u>\$231,894</u></u>	<u><u>\$555,779</u></u>	<u><u>\$0</u></u>	<u><u>\$27,300</u></u>	<u><u>\$4,249</u></u>	<u><u>\$819,222</u></u>
Reserve for Encumbrances, December 31	<u><u>\$3,079</u></u>	<u><u>\$263</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$3,342</u></u>

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, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$195,293	\$1,576,691	\$56,258		\$1,828,242
Intergovernmental	368,038	291,617	11,066		670,721
Special Assessments		2,944			2,944
Charges for Services		214,283			214,283
Licenses, Permits, and Fees	33,963	58,402			92,365
Fines, Forfeitures, and Penalties					0
Earnings on Investments	6,512	1,095		106	7,713
Other Revenue	1,560	108,456			110,016
	<u>605,366</u>	<u>2,253,488</u>	<u>67,324</u>	<u>106</u>	<u>2,926,284</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	246,354	51,983			298,337
Public Safety	36,512	1,556,538			1,593,050
Public Works	7,331	228,877			236,208
Health	22,066	47,277			69,343
Human Services	17,859				17,859
Miscellaneous				120	120
Debt Service:					
Redemption of Principal			55,344		55,344
Interest and Fiscal Charges			11,983		11,983
Capital Outlay	32,986	175,807			208,793
	<u>363,108</u>	<u>2,060,482</u>	<u>67,327</u>	<u>120</u>	<u>2,491,037</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>242,258</u>	<u>193,006</u>	<u>(3)</u>	<u>(14)</u>	<u>435,247</u>
Other Financing Receipts and (Disbursements):					
Transfers-In		13,600			13,600
Advances-In	10,000				10,000
Transfers-Out	(13,600)				(13,600)
Advances-Out		(10,000)			(10,000)
Other Sources	519	10,880			11,399
	<u>(3,081)</u>	<u>14,480</u>	<u>0</u>	<u>0</u>	<u>11,399</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	239,177	207,486	(3)	(14)	446,646
Fund Cash Balances, January 1	185,916	286,387	29	4,519	476,851
Fund Cash Balances, December 31	<u><u>\$425,093</u></u>	<u><u>\$493,873</u></u>	<u><u>\$26</u></u>	<u><u>\$4,505</u></u>	<u><u>\$923,497</u></u>

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

**BAZETTA TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 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. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. 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 disbursements 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.

**BAZETTA TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. Special Revenue Funds

These funds 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.

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

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

3. Debt Service Fund

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

4. Capital Projects 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 accounts for an Issue II Grant from the State of Ohio to finance the upgrade of Burnett Road.

5. Fiduciary Fund (Trust Fund)

This fund accounts for resources restricted by legally binding trust agreements. The Township has a non-expendable trust fund to account for the maintenance of certain cemetery plots.

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. Unencumbered appropriations lapse at year end.

**BAZETTA TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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 carried over, and need not be re-appropriated.

A summary of 2004 and 2003 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:

	2004	2003
Demand deposits	\$91,667	\$88,808
Certificates of deposit	21,775	21,775
Total deposits	113,442	110,583
Repurchase Agreement	0	612,296
STAR Ohio	705,780	200,618
Total investments	705,780	812,914
Total deposits and investments	\$819,222	\$923,497

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

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, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and December 31, 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$366,055	\$451,495	\$85,440
Special Revenue	2,906,326	2,982,657	76,331
Debt Service	89,988	65,770	(24,218)
Capital Projects	27,300	27,300	0
Fiduciary	17	17	0
Total	\$3,389,686	\$3,527,239	\$137,553

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$792,148	\$647,773	\$144,375
Special Revenue	3,399,199	2,921,014	478,185
Debt Service	90,014	65,796	24,218
Capital Projects	0	0	0
Fiduciary	4,523	273	4,250
Total	\$4,285,884	\$3,634,856	\$651,028

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$606,279	\$605,885	(\$394)
Special Revenue	2,249,706	2,277,968	28,262
Debt Service	67,324	67,324	0
Fiduciary	150	106	(44)
Total	\$2,923,459	\$2,951,283	\$27,824

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$530,874	\$376,708	\$154,166
Special Revenue	2,417,525	2,060,482	357,043
Debt Service	67,353	67,327	26
Fiduciary	4,669	120	4,549
Total	\$3,020,421	\$2,504,637	\$515,784

Contrary to Ohio law, the Township did not properly certify all required transactions.

**BAZETTA TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

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, 2004 was as follows:

	Principal	Interest Rate
General Obligation Note - Police	\$137,683	4.65%
General Obligation Note - Truck	\$9,450	5.72%
General Obligation Note - Fire Trucks	474,003	4.29%
Total	\$621,136	

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

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

	Police Building Note	Dump Truck Note	Fire Trucks Note
Year ending December 31:			
2005	\$52,217	\$12,153	\$64,776
2006	50,139		64,776
2007	48,033		64,776
2008			64,776
2009			64,776
2010 – 2013			259,104
Total	\$150,389	\$12,153	\$582,984

**BAZETTA TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(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 2004 and 2003, members of OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township's law enforcement officers are members of PERS and contributed 10.1 percent of their gross salaries. The Township contributed an amount equal to 18.74 percent of participant's gross salaries. The Township has paid all contributions required through December 31, 2004.

7. 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 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

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. ATEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships 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 \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding 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 township.

**BAZETTA TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. 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:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

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**Auditor of State
Betty Montgomery**

**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 44410

To the Board of Trustees:

We have audited the financial statements of Bazetta Township (the Township) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 26, 2005, 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated August 26, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001.

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www.auditor.state.oh.us

Bazetta Township
Trumbull County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and Board of Trustees. It is not intended for 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

August 26, 2005

**BAZETTA TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2004-001

NONCOMPLIANCE CITATION

Certification of Availability of Funds

Ohio Rev. Code Section 5705.41(D) states, in pertinent part, no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal officer is attached. The fiscal officer must certify that the amount required for the order or contract has 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 encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

Then and Now Certificate: If the fiscal officer can certify that both at the time the contract or order was made "then" at the time that he is completing his certification "now", sufficient funds were available or in the process of collection, to the credit of a proper fund, free of any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate, to approve payment by resolution. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing authority.

Amounts of less than three thousand dollars (\$3,000) may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.

Blanket Certificate: Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate: The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predicible operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation account.

The Clerk did not obtain certification of available funds prior to incurring obligations for 37% of transactions tested and there was no evidence of a "Then and Now" certificate being used by the Clerk. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification in the form of purchase orders or “blanket” purchase orders is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over the disbursement process and reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend the Clerk certify the funds are or will be available prior to a commitment of an obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

BAZETTA TOWNSHIP
TRUMBULL COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Proper certification of funds was not obtained by the Clerk for 50% of the transactions tested contrary to Ohio Revised Code Section 5705.41 (D)	No	Not Corrected



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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
OCTOBER 6, 2005**