



**Auditor of State
Betty Montgomery**

**BEARFIELD TOWNSHIP
PERRY COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Bearfield Township
Perry County
1795 Township Road 320 SE
Crooksville, Ohio 43731

To the Board of Trustees:

We have audited the accompanying financial statements of the Bearfield Township, Perry County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001. 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.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Bearfield Township, Perry County, as of December 31, 2002 and 2001, 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 May 13, 2003 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.

Bearfield Township
Perry County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the audit committee, 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.

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

Betty Montgomery
Auditor of State

May 13, 2003

**BEARFIELD TOWNSHIP
PERRY COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$16,098	\$29,388	\$45,486
Intergovernmental	27,888	59,652	87,540
Licenses, Permits, and Fees	145	4,125	4,270
Earnings on Investments	149	685	834
Other Revenue		3,350	3,350
		<u>3,350</u>	<u>3,350</u>
 Total Cash Receipts	 <u>44,280</u>	 <u>97,200</u>	 <u>141,480</u>
 Cash Disbursements:			
Current:			
General Government	47,911		47,911
Public Safety	300	24,207	24,507
Public Works		65,409	65,409
Health	380	14,225	14,605
		<u>14,225</u>	<u>14,605</u>
 Total Cash Disbursements	 <u>48,591</u>	 <u>103,841</u>	 <u>152,432</u>
 Total Cash Receipts Over/(Under) Cash Disbursements	 <u>(4,311)</u>	 <u>(6,641)</u>	 <u>(10,952)</u>
 Fund Cash Balances, January 1	 <u>16,364</u>	 <u>29,001</u>	 <u>45,365</u>
 Fund Cash Balances, December 31	 <u>\$12,053</u>	 <u>\$22,360</u>	 <u>\$34,413</u>

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

**BEARFIELD TOWNSHIP
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$16,667	\$13,990	\$30,657
Intergovernmental	22,941	63,534	86,475
Licenses, Permits, and Fees		4,775	4,775
Earnings on Investments	202	642	844
Other Revenue	1,198	2,600	3,798
	<u>41,008</u>	<u>85,541</u>	<u>126,549</u>
Cash Disbursements:			
Current:			
General Government	40,638		40,638
Public Safety	300	6,184	6,484
Public Works		62,404	62,404
Health	371	13,852	14,223
Miscellaneous		4,596	4,596
	<u>41,309</u>	<u>87,036</u>	<u>128,345</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(301)</u>	<u>(1,495)</u>	<u>(1,796)</u>
Fund Cash Balances, January 1	<u>16,665</u>	<u>30,496</u>	<u>47,161</u>
Fund Cash Balances, December 31	<u><u>\$16,364</u></u>	<u><u>\$29,001</u></u>	<u><u>\$45,365</u></u>

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

**BEARFIELD TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Bearfield Township, Perry County (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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Crooksville 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. 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:

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

Cemetery Fund - This fund receives property tax money to maintain Township Cemeteries.

Fire Fund - This fund receives property tax money to pay for the fire protection services provided to the Township through contracts with the Village of Crooksville.

**BEARFIELD TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 function 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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

E. 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.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

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>2002</u>	<u>2001</u>
Demand deposits	\$34,413	\$45,365

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

**BEARFIELD TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,319	\$44,280	\$9,961
Special Revenue	92,870	97,200	4,330
Total	\$127,189	\$141,480	\$14,291

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$51,650	\$48,591	\$3,059
Special Revenue	120,728	103,841	16,887
Total	\$172,378	\$152,432	\$19,946

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,632	\$41,008	\$4,376
Special Revenue	80,550	85,541	4,991
Total	\$117,182	\$126,549	\$9,367

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$53,301	\$41,309	\$11,992
Special Revenue	111,046	87,036	24,010
Total	\$164,347	\$128,345	\$36,002

Contrary to Ohio law, budgetary expenditures exceeded appropriations in various appropriation accounts in the Fire and Emergency Medical Services funds for the year ended December 31, 2001, and in the General, Motor Vehicle License, Gasoline Tax, Cemetery, Fire and Emergency Medical Services funds for the year ended December 31, 2002.

Also contrary to Ohio law, the Clerk's certification of the availability of unencumbered appropriations was not obtained for the Township's expenditures.

**BEARFIELD TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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.

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. 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. For 2002 and 2001, 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, 2002.

6. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty 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. 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, which the General Reinsurance Corporation will reinsure.

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.

**BEARFIELD TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$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.

Financial Position

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

<u>Casualty Coverage</u>	<u>2001</u>	<u>2002</u>
Assets	\$23,703,776	\$23,757,036
Liabilities	<u>(9,379,003)</u>	<u>(9,197,512)</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2001</u>	<u>2002</u>
Assets	\$5,011,131	\$6,596,996
Liabilities	<u>(647,667)</u>	<u>(1,204,326)</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$5,392,670</u>

The Township also provides health insurance coverage to its full time employee through a private carrier.

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**Auditor of State
Betty Montgomery**

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

Bearfield Township
Perry County
1795 Township Road 320 SE
Crooksville, Ohio 43731

To the Board of Trustees:

We have audited the accompanying financial statements of Bearfield Township, Perry County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 13, 2003. 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 the accompanying Schedule of Findings as items 2002-001 through 2002-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 13, 2003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 13, 2003.

Bearfield Township
Perry County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, 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

May 13, 2003

**BEARFIELD TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Ohio Rev. Code § 5705.41 (D) states 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 (Township Clerk) 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 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 two “exceptions” to the above requirements:

- A. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was appropriated and free of any previous encumbrances, the taxing authority (Township Board of Trustees) 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, if such expenditure is otherwise valid.

- B. If the amount involved is less than one thousand dollars (which was increased to \$3,000 on April 7, 2003), the fiscal officer may authorize it to be paid without affirmation of the taxing authority, upon completion of the then and now certificate, provided the expenditure is otherwise lawful.

The Township includes certification language as part of its purchase order. However, the Clerk’s prior certification was not obtained for any expenditure tested and the aforementioned exceptions were not followed. We recommend the Clerk’s certification be obtained and recorded on purchase orders prior to incurring any Township obligations. The Clerk should deny requests for payments if appropriations are not available.

FINDING NUMBER 2002-002

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit shall expend any money unless it has been properly appropriated. Actual expenditures exceeded appropriations at December 31, 2002, as follows:

<u>Fund/Line-Item</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund			
Salaries – Trustees	\$14,334	\$19,245	(\$4,911)
Insurance	\$10,000	\$11,179	(\$1,179)
Employer’s Retirement	\$ 2,837	\$ 3,782	(\$ 945)
Motor Vehicle License Fund			
Materials	\$ 5,583	\$ 8,862	(\$3,279)
Gasoline Tax Fund			
Employer’s Retirement	\$ 2,500	\$ 3,528	(\$1,028)
Cemetery Fund			
Other Expenses	\$ 1,472	\$ 3,078	(\$1,606)
Fire Fund			
Contracts	\$16,000	\$19,263	(\$3,263)
EMS Fund			
Contracts	\$ 3,200	\$ 4,200	(\$1,000)

**BEARFIELD TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2002-002 (Continued)

Ohio Rev. Code § 5705.41(B) (Continued)

Actual expenditures exceeded appropriations at December 31, 2001, as follows:

<u>Fund/Line-Item</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
Fire Fund			
Contracts	\$1,500	\$1,941	(\$441)
EMS Fund			
Contracts	\$3,280	\$4,046	(\$766)

Although the Township Clerk transferred appropriations among accounts within funds in order to prevent expenditures from exceeding appropriations, the appropriation transfers were not approved by the Board of Trustees. The above analysis does not include the appropriation transfers not approved by the Board.

We recommend the Township Clerk deny payments when disbursements would exceed appropriations in any account. Once the Board has authorized transfers among appropriation accounts within funds, then the Clerk should record the appropriation amendments in the appropriations ledger. If any fund's total appropriations are to be increased, then the Board can authorize additional appropriations up to the amount of estimated resources. Such amendments or supplemental appropriations should be handled in the same manner as the original appropriations measure and the Board's approval should be documented in the minute record.

FINDING NUMBER 2002-003

Ohio Rev. Code § 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the money was received.

During 2001, the Township received \$967 in motor vehicle license tax monies from the County Auditor near year end that was recorded in the General Fund rather than the Motor Vehicle License Fund.

The required adjustment to correct this improper distribution, with which management agrees, has been posted to the Township's records and is reflected in the accompanying financial statements.

**BEARFIELD TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-41064-001	Ohio Revised Code 5705.41D – failure to certify funds	No	Not Corrected; the finding is repeated in the current Schedule of Findings as item 2002-001.
2000-41064-002	Ohio Revised Code 5705.41B – expenditures exceeded appropriations	No	Not Corrected; the finding is repeated in the current Schedule of Findings as item 2002-002.



**Auditor of State
Betty Montgomery**

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BEARFIELD TOWNSHIP

PERRY 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
JULY 1, 2003**