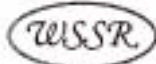

**GILEAD TOWNSHIP
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2002 & 2001

Whited Seigneur Sams & Rabe, LLP

CERTIFIED PUBLIC ACCOUNTANTS



213 South Paint Street • Chillicothe, Ohio 45601-3828
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**Auditor of State
Betty Montgomery**

Board of Trustees
Gilead Township
507 Dogwood Lane
Mt. Gilead, Ohio 43338

We have reviewed the Independent Auditor's Report of the Gilead Township, Morrow County, prepared by Whited Seigneur Sams & Rahe, LLP, for the audit period January 1, 2001 to December 31, 2002. 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. The Gilead Township is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 12, 2003

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**GILEAD TOWNSHIP
MORROW COUNTY, OHIO**

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Whited Seigneur Sams & Rahe, LLP

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May 15, 2003

Board of Trustees
Gilead Township, Morrow County
507 Dogwood Lane
Mt. Gilead, Ohio 43338

Report of Independent Auditor

We have audited the accompanying financial statements of Gilead Township, Morrow 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 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 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 reserve for encumbrances of Gilead Township, Morrow County, Ohio, 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 a report dated May 15, 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 audits 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 Township Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**GILEAD TOWNSHIP
MORROW 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**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Memorandum Only Total</u>
CASH RECEIPTS				
Local Taxes	\$ 34,646	\$ 111,626	\$ 0	\$ 146,272
Intergovernmental	32,526	71,503	32,952	136,981
Earnings on Investments	1,288	484	0	1,772
Other Revenue	<u>1,335</u>	<u>2,154</u>	<u>0</u>	<u>3,489</u>
TOTAL CASH RECEIPTS	69,795	185,767	32,952	288,514
CASH DISBURSEMENTS				
Current:				
General Government	80,173	0	0	80,173
Public Safety	0	45,055	0	45,055
Public Works	0	214,988	0	214,988
Health	483	93	0	576
Capital Outlay	<u>11</u>	<u>0</u>	<u>32,952</u>	<u>32,963</u>
TOTAL CASH DISBURSEMENTS	<u>80,667</u>	<u>260,136</u>	<u>32,952</u>	<u>373,755</u>
TOTAL RECEIPTS OVER/(UNDER) DISBURSEMENTS	(10,872)	(74,369)	0	(85,241)
OTHER FINANCING RECEIPTS				
Sale of Fixed Assets	20,000	0	0	20,000
Other Sources	<u>1,337</u>	<u>0</u>	<u>0</u>	<u>1,337</u>
TOTAL OTHER FINANCING RECEIPTS	<u>21,337</u>	<u>0</u>	<u>0</u>	<u>21,337</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	10,465	(74,369)	0	(63,904)
Fund Cash Balances, January 1, 2002	<u>28,622</u>	<u>151,310</u>	<u>0</u>	<u>179,932</u>
Fund Cash Balances, December 31, 2002	<u>\$ 39,087</u>	<u>\$ 76,941</u>	<u>\$ 0</u>	<u>\$ 116,028</u>
Reserve for Encumbrance, December 31, 2002	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**GILEAD TOWNSHIP
MORROW 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, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Memorandum Only Total</u>
CASH RECEIPTS				
Local Taxes	\$ 31,809	\$ 98,272	\$ 0	\$ 130,081
Intergovernmental	28,307	109,793	83,780	221,880
Licenses, Permits and Fees	272	0	0	272
Earnings on Investments	4,067	703	0	4,770
Other Revenue	<u>2,500</u>	<u>750</u>	<u>0</u>	<u>3,250</u>
TOTAL CASH RECEIPTS	66,955	209,518	83,780	360,253
CASH DISBURSEMENTS				
Current:				
General Government	77,036	0	0	77,036
Public Safety	0	38,473	0	38,473
Public Works	0	177,684	0	177,684
Health	1,036	0	0	1,036
Capital Outlay	<u>30</u>	<u>0</u>	<u>83,780</u>	<u>83,810</u>
TOTAL CASH DISBURSEMENTS	<u>78,102</u>	<u>216,157</u>	<u>83,780</u>	<u>378,039</u>
TOTAL RECEIPTS OVER/(UNDER) DISBURSEMENTS	(11,147)	(6,639)	0	(17,786)
OTHER FINANCING RECEIPTS				
Other Sources	<u>1,425</u>	<u>0</u>	<u>0</u>	<u>1,425</u>
TOTAL OTHER FINANCING RECEIPTS	<u>1,425</u>	<u>0</u>	<u>0</u>	<u>1,425</u>
Excess of Cash Receipts and Other Financing Receipts Over/Under Cash Disbursements	(9,722)	(6,639)	0	(16,361)
Fund Cash Balances, January 1, 2001	<u>38,344</u>	<u>157,949</u>	<u>0</u>	<u>196,293</u>
Fund Cash Balances, December 31, 2001	<u>\$ 28,622</u>	<u>\$ 151,310</u>	<u>\$ 0</u>	<u>\$ 179,932</u>
Reserve for Encumbrance, December 31, 2001	<u>\$ 100</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 100</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**GILEAD TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Description of the Entity**

Gilead Township, Morrow 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 general governmental services including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

- **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.

- **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:

- **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.
- **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.

Fire District Fund - This fund receives special levy monies collected by the County for the Protection of Township residents.

- **Capital Project Fund** - This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Issue II Fund - The Township received grants from the State of Ohio to resurface roads.

**GILEAD TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Budgetary Process**

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

- **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.
- **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.
- **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.

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

- **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.

- **Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2002</u>	<u>2001</u>
Demand Deposits	\$ 116,028	\$ 179,932

Deposits

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

**GILEAD TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 107,693	\$ 91,132	\$ (16,561)
Special Revenue	227,598	185,767	(41,831)
Capital Projects	<u>49,943</u>	<u>32,952</u>	<u>(16,991)</u>
TOTAL	<u>\$ 385,234</u>	<u>\$ 309,851</u>	<u>\$ (75,383)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 136,415	\$ 80,667	\$ 55,748
Special Revenue	378,908	260,136	118,772
Capital Projects	<u>49,943</u>	<u>32,952</u>	<u>16,991</u>
TOTAL	<u>\$ 565,266</u>	<u>\$ 373,755</u>	<u>\$ 191,511</u>

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 83,060	\$ 68,380	\$ (14,680)
Special Revenue	226,695	209,518	(17,177)
Capital Projects	<u>76,162</u>	<u>83,780</u>	<u>7,618</u>
TOTAL	<u>\$ 385,917</u>	<u>\$ 361,678</u>	<u>\$ (24,239)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 120,404	\$ 78,202	\$ 42,202
Special Revenue	384,644	216,157	168,487
Capital Projects	<u>76,162</u>	<u>83,780</u>	<u>(7,618)</u>
TOTAL	<u>\$ 581,210</u>	<u>\$ 378,139</u>	<u>\$ 203,071</u>

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.

**GILEAD TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

4. PROPERTY TAX (Continued)

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 post-retirement healthcare, and survivor and disability benefits to participants as 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. The Township has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive Property and General Liability
- Vehicles
- Errors and Omissions

The Township also provides health insurance coverage to full-time employees through a private carrier.

Whited Seigneur Sams & Rahe, LLP

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May 15, 2003

Board of Trustees
Gilead Township
Morrow County
507 Dogwood Lane
Mt. Gilead, Ohio 43338

Report on Compliance and on Internal Control Required by *Government Auditing Standards*

We have audited the accompanying financial statements of Gilead Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 15, 2003. 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 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2002-40659-001. Also, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 15, 2003.

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 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 15, 2003.

This report is intended for the information and use of management and Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**GILEAD TOWNSHIP
MORROW COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

Finding Number 2002-40659-001

Ohio Rev. Code, Section 5575.01 provides that competitive bidding is required for contracts for the maintenance or repair of roads, where the amount involved exceeds \$15,000. In each case, the board must advertise once, not later than two weeks prior to the letting of the contract, in a newspaper published in the county and of general circulation in the township. Award must be to the lowest possible bidder.

In 2002, the Township utilized Lloyd, Porter and Porter Paving for road projects. Payments made to Lloyd, Porter and Porter Paving totaled \$47,253 in 2002 for these projects. Competitive bidding procedures were not followed. We recommend that the Trustees properly bid applicable contracts in order that the Township takes advantage of the lowest and best bid.



**Auditor of State
Betty Montgomery**

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GILEAD TOWNSHIP

MORROW 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
JUNE 24, 2003**