

**BAUGHMAN TOWNSHIP
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Long, Cook & Samsa, Inc.
CERTIFIED PUBLIC ACCOUNTANTS



**Auditor of State
Betty Montgomery**

Board of Trustees
Baughman Township

We have reviewed the *Independent Accountants' Report* of Baughman Township, Wayne County, prepared by Long, Cook & Samsa, Inc. for the audit period January 1, 2003 through December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the AOS permits.

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. Baughman 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

July 15, 2005

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BAUGHMAN TOWNSHIP
WAYNE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Statements of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2004	2
Statements of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2003	3
Notes to the Financial Statements.....	4
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9

Long Cook & Samsa, Inc.
Certified Public Accountants/Consultants

INDEPENDENT ACCOUNTANTS' REPORT

Baughman Township
Wayne County
6999 Coal Bank Road
Marshallville, OH 44645

To the Board of Trustees:

We have audited the accompanying financial statements of the Baughman Township, Wayne County, Ohio, (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.

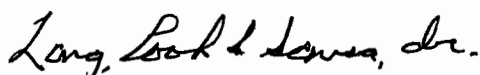
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township prepares its 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above 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 and 2003, or its changes in financial position for the years 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 Baughman Township, Wayne County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 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 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.



Long, Cook & Samsa, Inc.

June 22, 2005

**BAUGHMAN TOWNSHIP
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$41,270	\$188,923	\$230,193
Intergovernmental	2,360,083	105,724	2,465,807
Charges for Services	10,978	0	10,978
Earnings on Investments	27,012	234	27,246
Other	133	1,272	1,405
	<u>2,439,476</u>	<u>296,153</u>	<u>2,735,629</u>
Total Cash Receipts			
	2,439,476	296,153	2,735,629
Cash Disbursements:			
Current:			
General Government	131,887	0	131,887
Public Safety	15,858	0	15,858
Public Works	113,537	285,093	398,630
Health	11,301	0	11,301
Capital Outlay	211,544	0	211,544
	<u>484,127</u>	<u>285,093</u>	<u>769,220</u>
Total Cash Disbursements			
	484,127	285,093	769,220
Total Cash Receipts Over/(Under) Cash Disbursements	1,955,349	11,060	1,966,409
Other Financing Receipts/(Disbursements):			
Advances-In	23,100	23,100	46,200
Advances-Out	(23,100)	(23,100)	(46,200)
	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)			
	0	0	0
Net Receipts Over/(Under) Disbursements	1,955,349	11,060	1,966,409
Fund Cash Balances, January 1	<u>2,480,578</u>	<u>58,344</u>	<u>2,538,922</u>
Fund Cash Balances, December 31	<u><u>\$4,435,927</u></u>	<u><u>\$69,404</u></u>	<u><u>\$4,505,331</u></u>
Reserve for Encumbrances, December 31	<u><u>\$203,161</u></u>	<u><u>\$0</u></u>	<u><u>\$203,161</u></u>

See accountants' report and accompanying notes to the financial statements

**BAUGHMAN TOWNSHIP
WAYNE COUNTY**

**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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$42,466	\$183,664	\$226,130
Intergovernmental	1,548,620	90,619	1,639,239
Charges for Services	11,308	0	11,308
Earnings on Investments	18,054	188	18,242
Other	729	1,327	2,056
	<u>1,621,177</u>	<u>275,798</u>	<u>1,896,975</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	128,355	0	128,355
Public Safety	15,398	0	15,398
Public Works	56,151	269,354	325,505
Health	10,477	0	10,477
Capital Outlay	362,642	0	362,642
	<u>573,023</u>	<u>269,354</u>	<u>842,377</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	1,048,154	6,444	1,054,598
Fund Cash Balances, January 1	<u>1,432,424</u>	<u>51,900</u>	<u>1,484,324</u>
Fund Cash Balances, December 31	<u>\$2,480,578</u>	<u>\$58,344</u>	<u>\$2,538,922</u>
Reserve for Encumbrances, December 31	<u>\$2,338</u>	<u>\$9,700</u>	<u>\$12,038</u>

**BAUGHMAN TOWNSHIP
WAYNE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Baughman Township, Wayne 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, bridge, and cemetery maintenance. The Township contracts with the Dalton Volunteer Fire Department, Inc., Marshallville Village Volunteer Fire Department, North Lawrence Volunteer Fire Department, Inc., and the City of Orrville Fire Department, to provide fire and emergency medical services to residents of the Township.

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 recorded as assets. 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.

Investments are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is 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 that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**BAUGHMAN TOWNSHIP
WAYNE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Road District Fund – This fund receives property tax money for maintaining and repairing 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 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 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. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the financial statements and accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**BAUGHMAN TOWNSHIP
WAYNE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated 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 is not reflected as a liability under the Township's basis of accounting.

2. CASH AND INVESTMENTS

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

	2004	2003
Demand deposits and money market	\$492,741	\$1,554,356
Savings account	51,602	946,112
Certificates of deposit	754,577	38,454
Total deposits	1,298,920	2,538,922
Federated Government Obligations	20,165	0
Federal Home Loan Bank Notes	1,725,231	0
Federal National Mortgage Assoc. Notes	1,361,422	0
Federal Farm Credit Banks	99,593	0
Total investments	3,206,411	0
Total deposits and investments	\$4,505,331	\$2,538,922

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

Investments: Investments are held in book-entry form by the Bank of New York in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

**BAUGHMAN TOWNSHIP
WAYNE COUNTY**

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

3. BUDGETARY ACTIVITY

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

<u>2004 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$145,426	\$2,439,476	\$2,294,050
Special Revenue	278,549	296,153	17,604
Total	<u>\$423,975</u>	<u>\$2,735,629</u>	<u>\$2,311,654</u>

<u>2004 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,270,763	\$687,288	\$583,475
Special Revenue	332,300	285,093	47,207
Total	<u>\$1,603,063</u>	<u>\$972,381</u>	<u>\$630,682</u>

<u>2003 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$155,194	\$1,621,177	\$1,465,983
Special Revenue	257,380	275,798	\$18,418
Total	<u>\$412,574</u>	<u>\$1,896,975</u>	<u>\$1,484,401</u>

<u>2003 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$943,233	\$575,361	\$367,872
Special Revenue	301,200	279,054	22,146
Total	<u>\$1,244,433</u>	<u>\$854,415</u>	<u>\$390,018</u>

**BAUGHMAN TOWNSHIP
WAYNE 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 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.

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 Ohio Public Employees Retirement System (OPERS). OPERS 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. OPERS member employees contributed 8.5% of their gross salaries for 2004 and 2003. The Township contributed an amount equal to 13.55% of participants' gross salaries through December 31, 2004. The Township has paid all contributions required through December 31, 2004.

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 medical and dental insurance coverage to its officials and full-time employees through the Wayne County Employees Benefit Plan.

Long Cook & Samsa, Inc.
Certified Public Accountants/Consultants

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

Baughman Township
Wayne County
6999 Coal Bank Road
Marshallville, OH 44645

To the Board of Trustees:

We have audited the financial statements of Baughman Township, Wayne County, Ohio, (the Township) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated June 22, 2005. 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.

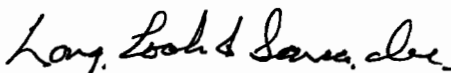
Compliance

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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However we noted an immaterial instance of noncompliance that we have reported to the management of the Township in a separate letter dated June 22, 2005.

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 certain matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Township in a separate letter dated June 22, 2005.

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.



Long, Cook & Samsa, Inc.

June 22, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

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BAUGHMAN TOWNSHIP

WAYNE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 4, 2005**