
**GILEAD TOWNSHIP
MORROW COUNTY**

REGULAR AUDIT

YEARS ENDED DECEMBER 31, 2004 & 2003

Whited Seigneur Sams & Rabe, LLP

CERTIFIED PUBLIC ACCOUNTANTS



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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, 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. The Gilead 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 12, 2005

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**GILEAD TOWNSHIP
MORROW COUNTY, OHIO**

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June 20, 2005

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, 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 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 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. 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 of Gilead Township, Morrow 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 a report dated June 20, 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. That report describes the scope of our testing of internal controls over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of audits performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.

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, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Memorandum Only Total</u>
CASH RECEIPTS			
Local Taxes	\$ 39,226	\$ 153,611	\$ 192,837
Intergovernmental	31,206	94,001	125,207
Licenses, Permits and Fees	363	0	363
Earnings on Investments	223	120	343
Other Revenue	<u>600</u>	<u>0</u>	<u>600</u>
TOTAL CASH RECEIPTS	71,618	247,732	319,350
CASH DISBURSEMENTS			
Current:			
General Government	70,185	0	70,185
Public Safety	0	43,215	43,215
Public Works	0	181,757	181,757
Health	<u>963</u>	<u>42,975</u>	<u>43,938</u>
TOTAL CASH DISBURSEMENTS	<u>71,148</u>	<u>267,947</u>	<u>339,095</u>
TOTAL RECEIPTS OVER/(UNDER) DISBURSEMENTS	470	(20,215)	(19,745)
OTHER FINANCING RECEIPTS			
Sale of Fixed Assets	7,660	0	7,660
Other Sources	<u>1,947</u>	<u>0</u>	<u>1,947</u>
TOTAL OTHER FINANCING RECEIPTS	<u>9,607</u>	<u>0</u>	<u>9,607</u>
Cash Receipts and Other Financing Receipts Over/Under Cash Disbursements	10,077	(20,215)	(10,138)
Fund Cash Balances, January 1, 2004	<u>11,305</u>	<u>69,819</u>	<u>81,124</u>
Fund Cash Balances, December 31, 2004	<u>\$ 21,382</u>	<u>\$ 49,604</u>	<u>\$ 70,986</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, 2003**

**Memorandum
Only**

CASH RECEIPTS	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Local Taxes	\$ 37,813	\$ 105,621	\$ 143,434
Intergovernmental	19,929	78,985	98,914
Earnings on Investments	328	130	458
Other Revenue	<u>0</u>	<u>300</u>	<u>300</u>
TOTAL CASH RECEIPTS	58,070	185,036	243,106
CASH DISBURSEMENTS			
Current:			
General Government	89,463	0	89,463
Public Safety	0	38,720	38,720
Public Works	0	148,282	148,282
Health	<u>1,423</u>	<u>1,160</u>	<u>2,583</u>
TOTAL CASH DISBURSEMENTS	<u>90,886</u>	<u>188,162</u>	<u>279,048</u>
TOTAL RECEIPTS OVER/(UNDER) DISBURSEMENTS	(32,816)	(3,126)	(35,942)
OTHER FINANCING RECEIPTS			
Transfers - In	3,996	0	3,996
Transfers - Out	0	(3,996)	(3,996)
Other Sources	<u>1,038</u>	<u>0</u>	<u>1,038</u>
TOTAL OTHER FINANCING RECEIPTS	<u>5,034</u>	<u>(3,996)</u>	<u>1,038</u>
Cash Receipts and Other Financing Receipts Over/Under Cash Disbursements	(27,782)	(7,122)	(34,904)
Fund Cash Balances, January 1, 2003	<u>39,087</u>	<u>76,941</u>	<u>116,028</u>
Fund Cash Balances, December 31, 2003	<u>\$ 11,305</u>	<u>\$ 69,819</u>	<u>\$ 81,124</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**GILEAD TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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.

**GILEAD TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 2004 and 2003 budgetary activity appears in Note 3.

- **Transfers - In, Transfers - Out**

In 2003, \$3,996 represents the net amount of fund balance adjustments needed to correct entries made in 2002 and 2001 per the prior audits.

- **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:

	2004	2003
Demand Deposits	\$ 70,986	\$ 81,124

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, 2004 AND 2003**

3. BUDGETARY ACTIVITY

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

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 106,493	\$ 81,225	\$ (25,268)
Special Revenue	278,515	247,732	(30,783)
TOTAL	<u>\$ 385,008</u>	<u>\$ 328,957</u>	<u>\$ (56,051)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 119,260	\$ 71,148	\$ 48,112
Special Revenue	347,185	267,947	79,238
TOTAL	<u>\$ 466,445</u>	<u>\$ 339,095</u>	<u>\$ 127,350</u>

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 113,493	\$ 63,104	\$ (50,389)
Special Revenue	227,598	185,036	(42,562)
TOTAL	<u>\$ 341,091</u>	<u>\$ 248,140</u>	<u>\$ (92,951)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 151,928	\$ 90,886	\$ 61,042
Special Revenue	305,192	192,158	113,034
TOTAL	<u>\$ 457,120</u>	<u>\$ 283,044</u>	<u>\$ 174,076</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, 2004 AND 2003**

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, 2004.

6. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

Whited Seigneur Sams & Rahe, LLP

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June 20, 2005

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

Report on Internal Control over Financial Reporting and on Compliance and Other Matters 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, 2004 and 2003, and have issued our report thereon dated June 20, 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 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal 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 20, 2005.

Compliance and Other Matters

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 grant agreements, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We, however, noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 20, 2005.

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, 2004 AND 2003**

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

There were no findings during this current audit.

**GILEAD TOWNSHIP
MORROW COUNTY, OHIO
STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

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.

Status: In 2003 and 2004, payments made for road projects to any one vendor did not exceed \$15,000 (nor \$45,000 as of June 2004).



**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
AUGUST 9, 2005**