

GILEAD TOWNSHIP
MORROW COUNTY, OHIO

Audited Financial Statements

For the Years Ended December 31, 2006 and 2005



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Gilead Township, Morrow County, prepared by Van Kregel and Company, CPA's, for the audit period January 1, 2005 through December 31, 2006. 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. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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 Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State 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. Gilead Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 14, 2008

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Gilead Township
Morrow County, Ohio

Table of Contents

Title	Page
Independent Auditor's Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances-All Governmental Fund Types for the Year Ended December 31, 2006.....	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances-All Governmental Fund Types for the Year Ended December 31, 2005.....	4
Notes to the Financial Statements.....	5
Independent Accountant's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13



INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Gilead Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2006 and 2005. 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 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 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 (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.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of the State of Ohio permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of the State of Ohio 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 matters discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, 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, 2006 and 2005, 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, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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Gilead Township
Morrow County
Independent Auditor's Report
Page 2

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 November 9, 2007, 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 audits.

A handwritten signature in cursive script that reads "Van Krevel & Company".

Van Krevel & Company
Dublin, Ohio

November 9, 2007

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, 2006

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Capital Projects	Memorandum Only
Cash Receipts:					
Property and Other Local Taxes	42,299	259,235	-	-	301,534
Charges for Services	1,200	-	-	-	1,200
Licenses, Permits and Fees	339	-	-	-	339
Intergovernmental	65,199	134,340	-	77,690	277,229
Special Assessments	930	-	-	-	930
Earnings on Investments	735	419	-	-	1,154
Miscellaneous	1,345	604	-	-	1,949
Total Cash Receipts	112,047	394,598	-	77,690	584,335
Cash Disbursements:					
Current:					
General Government	89,664	-	-	-	89,664
Public Safety	-	129,392	-	-	129,392
Public Works	-	209,443	-	-	209,443
Health	4,073	47,623	-	-	51,696
Capital Outlay	-	-	-	77,690	77,690
Debt Service:					
Redemption of Principal	-	-	13,573	-	13,573
Interest and Other Fiscal Charges	-	-	3,750	-	3,750
Total Cash Disbursements	93,737	386,458	17,323	77,690	575,208
Total Receipts Over (Under) Disbursements	18,310	8,140	(17,323)	-	9,127
Other Financing Receipts (Disbursements):					
Other Financing Sources	-	-	17,323	-	17,323
Total Other Financial Receipts (Disbursements)	-	-	17,323	-	17,323
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	18,310	8,140	-	-	26,450
Fund Cash Balances, January 1	27,608	82,780	-	-	110,388
Fund Cash Balances, December 31	<u>\$ 45,918</u>	<u>\$ 90,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,838</u>

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, 2005

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	Memorandum Only
Cash Receipts:				
Property and Other Local Taxes	36,137	254,204	-	290,341
Charges for Services	820	-	-	820
Licenses, Permits and Fees	381	-	-	381
Intergovernmental	49,000	117,847	-	166,847
Earnings on Investments	353	338	-	691
Miscellaneous	724	-	-	724
Total Cash Receipts	87,415	372,389	-	459,804
Cash Disbursements:				
Current:				
General Government	79,737	-	-	79,737
Public Safety	-	128,188	-	128,188
Public Works	-	157,783	-	157,783
Health	1,452	40,622	-	42,074
Capital Outlay	-	20,620	-	20,620
Total Cash Disbursements	81,189	347,213	-	428,402
Total Receipts Over (Under) Disbursements	6,226	25,176	-	31,402
Other Financing Receipts (Disbursements):				
Sale of Bonds	-	-	75,000	75,000
Sale of Fixed Assets	-	8,000	-	8,000
Other Financing Use	-	-	(75,000)	(75,000)
Total Other Financial Receipts (Disbursements)	-	8,000	-	8,000
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	6,226	33,176	-	39,402
Fund Cash Balances, January 1	21,382	49,604	-	70,986
Fund Cash Balances, December 31	<u>\$ 27,608</u>	<u>\$ 82,780</u>	<u>\$ -</u>	<u>\$ 110,388</u>

Gilead Township
Morrow County, Ohio

Notes to the Financial Statements
December 31, 2006 and 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A 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.

B Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of the State of Ohio, which is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received 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 the State of Ohio.

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 those 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 monies to pay for constructing, maintaining and repairing Township roads.

Road and Bridge Fund - This fund receives property tax monies to be used for constructing, maintaining and repairing Township roads and bridges.

Cemetery Fund - This fund receives special levy monies to be used by Rivercliff Union Cemetery for maintenance purposes.

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

Gilead Township
Morrow County, Ohio

Notes to the Financial Statements
December 31, 2006 and 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C Fund Accounting (continued)

Road District Fund - This fund receives special levy monies for the purpose of constructing, maintaining, and repairing Township roads and bridges.

3 Capital Projects 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 - This fund accounts for Issue II grant monies received and expended on behalf of the Township by the Ohio Public Works Commission to repair and maintain roads within the Township.

4 Debt Service Fund

This fund is used to account for resources the Township accumulates to pay bond and note debt to First Knox Bank of Mt. Vernon for the purpose of constructing a garage/office complex at Rivercliff Union Cemetery.

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 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. Appropriations lapse at year-end.

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 canceled, and reappropriated in the subsequent year.

A summary of the 2006 and 2005 budgetary activity appears in Note 3.

E 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.

Gilead Township
Morrow County, Ohio

Notes to Financial Statements
December 31, 2006 and 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F 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.

NOTE 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>2006</u>	<u>2005</u>
Demand Deposits	<u>\$136,838</u>	<u>\$110,388</u>

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

NOTE 3 BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2006, follows:

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$106,569	\$112,047	\$ 5,478
Special Revenue	410,526	394,598	(15,928)
Capital Projects	-	77,690	77,690
Debt Service	-	<u>17,323</u>	<u>17,323</u>
Totals	<u>\$517,095</u>	<u>\$601,658</u>	<u>\$ 84,563</u>

2006 Budgeted vs. Actual Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$135,496	\$ 93,737	\$ 41,759
Special Revenue	492,987	386,458	106,529
Capital Projects	80,000	77,690	2,310
Debt Service	-	<u>17,323</u>	<u>(17,323)</u>
Totals	<u>\$708,483</u>	<u>\$575,208</u>	<u>\$133,275</u>

Gilead Township
Morrow County, Ohio

Notes to Financial Statements
December 31, 2006 and 2005

NOTE 3 BUDGETARY ACTIVITY (continued)

Budgetary activity for the year ending December 31, 2005, follows:

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 92,428	\$ 87,415	\$ (5,013)
Special Revenue	397,690	380,389	(17,301)
Debt Service	<u>-</u>	<u>75,000</u>	<u>75,000</u>
Totals	<u>\$490,118</u>	<u>\$542,804</u>	<u>\$ 52,686</u>

2005 Budgeted vs. Actual Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$114,133	\$ 81,189	\$ 32,944
Special Revenue	450,358	347,213	103,145
Debt Service	<u>-</u>	<u>75,000</u>	<u>(75,000)</u>
Totals	<u>\$564,491</u>	<u>\$503,402</u>	<u>\$ 61,089</u>

NOTE 4 PROPERTY TAXES

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 semi-annual 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 with the County by April 30 each year.

The County is responsible for assessing property and for billing, collecting and distributing all property taxes on behalf of the Township.

NOTE 5 RETIREMENT SYSTEM

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.

Gilead Township
Morrow County, Ohio

Notes to Financial Statements
December 31, 2006 and 2005

NOTE 5 RETIREMENT SYSTEM (continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, PERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equal to 13.7 and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

NOTE 6 RISK MANAGEMENT

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 515 Ohio governments ("Members"), as of December 31, 2006.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity for the public purpose of enabling its members to obtain self-insurance through a jointly administered self-insurance fund. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's risk management needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures with A- VII or better rated carriers, except for the portion the Plan retains. With policies effective September 1, 2002 and after, the Plan began retaining 5% of the premium and losses on the first \$500,000 casualty treaty and 5% of the first \$1,000,000 property treaty. With policies effective November 1, 2005 and after, the Plan began retaining 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<u>2006</u>	<u>2005</u>
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

Complete audited financial statements for The Ohio Government Risk Management Plan can be read at the Plan's website, www.ohioplan.org.

NOTE 7 NOTE RECEIVABLE

The following note receivable was outstanding at December 31, 2006:

	<u>Principal</u>	<u>Interest Rate</u>
Note Receivable - Rivercliff Union Cemetery	\$61,427	5.00%

During 2005, the Township issued and sold bonds to The First Knox National Bank of Mount Vernon in the principal sum of \$75,000, bearing interest at a rate of 5% per annum, for the purpose of constructing a garage/office complex for the use of Rivercliff Union Cemetery. Because the Cemetery is not a body politic, the Township issued the bonds for the Cemetery. See Note 8. The proceeds from these bonds were disbursed to the Rivercliff Union Cemetery in 2005.

Gilead Township
Morrow County, Ohio

Notes to Financial Statements
December 31, 2006 and 2005

NOTE 7 NOTE RECEIVABLE (continued)

In 2006, the Cemetery began repaying their obligation to the Township. Amounts received from the Cemetery, including principal and interest, are reported in the debt service fund as other financing sources.

Future proceeds, including interest, are scheduled as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2007	\$17,323
December 31, 2008	17,323
December 31, 2009	17,323
December 31, 2010	<u>17,323</u>
Total	<u>\$69,292</u>

NOTE 8 DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bond – Cemetery Building Bonds 2005 Issue - (Original Amount \$75,000)	\$61,427	5.00%

During 2005, the Township issued and sold bonds to The First Knox National Bank of Mount Vernon in the principal sum of \$75,000, bearing an interest rate of 5% per annum, for the purpose of constructing a garage/office complex for the use of Rivercliff Union Cemetery. The Township issued the bonds for the Cemetery because the Cemetery is not a body politic. The transfer of debt proceeds to the Cemetery is reported as other financing use in the financial statements. Debt repayments are being made by the Cemetery from proceeds of a special levy that are received directly by the Township and disbursed to the Cemetery. If future payments are not met, the Township is obligated to pay the debt. The debt repayments are recorded in the financial statements of the Township as redemption of principal and interest.

Future payments on the above debt are due as follows:

<u>Year Ending</u>	<u>General Obligation Bonds- Cemetery Building Bonds</u>
December 31, 2007	\$17,323
December 31, 2008	17,323
December 31, 2009	17,323
December 31, 2010	<u>17,323</u>
Total	<u>\$69,292</u>

The Township anticipates that the Cemetery will make all required payments.



INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

To the Board of Trustees:

We have audited the financial statements of Gilead Township, Morrow County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 9, 2007, wherein we noted that the Township followed accounting practices the Auditor of the State of Ohio prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for expressing our opinions on the financial statements and not to opine the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-002 and 2006-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-004 is also a material weakness.

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Gilead Township
Morrow County, Ohio
Independent Accountant's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

We also noted a certain matter that we reported to the Township's management in a separate letter dated November 9, 2007.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items: 2006-001, 2006-002, and 2006-003.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 9, 2007.

We intend this report solely for the information and use of the management and Board of Trustees. We intend it for no one other than these specified parties.



Van Krevel & Company
Dublin, Ohio

November 9, 2007

Gilead Township
Morrow County, Ohio

Schedule of Findings
December 31, 2006 and 2005

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

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Revised Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

During 2006, the Township did not obtain reduced amended certificates for the Cemetery, Fire District, and Road District Funds. During 2005, the Township did not obtain reduced amended certificates for the General, Motor Vehicle, Road and Bridge, Cemetery, Fire District, and Road District Funds when the actual receipts were lower than the budgeted receipts. We recommend the Township perform a comparison of the estimated resources and the actual receipts periodically in order to determine whether an amended certificate of estimated resources needs to be obtained.

Official's Response – We did not receive a response from Officials regarding this finding.

FINDING NUMBER 2006-002

Noncompliance and Significant Deficiency

Ohio Revised Code Section 5705.40 requires that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

Ohio Admin. Code Section 117-2-02(C)(1) states that all local public offices should integrate the budgetary account, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Township posted budgeted receipts and appropriation increases/decreases to the Township records without approval of the County Auditor. In addition, the Township did not budget Issue II receipts in the Capital Projects Fund in 2006.

Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present budgeted receipts and appropriations as certified by the County Auditor. We recommend the Township review the budgetary procedures for amending budgeted receipts and appropriations, file all amendments with the County Auditor, and implement procedures to ensure appropriations and budgeted receipts are accurately posted to the accounting system and reconciled to the amounts approved by the Board and Trustees and County Auditor after each amendment.

Official's Response – We did not receive a response from Officials regarding this finding.

Gilead Township
Morrow County, Ohio

Schedule of Findings
December 31, 2006 and 2005

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

FINDING NUMBER 2006-003

Noncompliance Citation

Ohio Revised Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated resources from each fund. This section also requires the Township to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During 2006, total appropriations exceeded the total estimated resources for the General Fund and the Capital Projects Fund. During 2005, total appropriations exceeded the total estimated resources for the General Fund and the Gasoline Tax Fund. We recommend the Township monitor appropriations versus estimated resources to avoid overspending; and implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

Official's Response – We did not receive a response from Officials regarding this finding.

FINDING NUMBER 2006-004

Significant Deficiency/Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly authorized in accordance with management's policies, ensuring that accounting records are properly designed, and verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The Townships lacked management oversight in the posting of receipts and expenditures of the Township. This lack of oversight is illustrated by the following:

- In 2006, Cemetery grave digging fees and yearly expenses of \$2,086 were posted to General Government rather than Health.
- In 2006, payroll expenditures in the amount of \$200 were posted to Other Financing Uses rather than General Government.
- In 2006, note receivable proceeds in the amount of \$17,323 from Rivercliff Union Cemetery and debt repayments in the amount of \$17,323 on the bonds outstanding were not recorded.
- In 2006 and 2005, the Township posted receipts in the amount of \$2,875 and \$844, respectively, to Other Financing Sources rather than to operating revenues, including: Charges for Services, Miscellaneous, and Special Assessments.
- In 2005, debt proceeds (Sale of Bonds) in the amount of \$75,000 were improperly posted to Miscellaneous receipts; and the expenditure of the bond proceeds in the amount of \$75,000 was posted to Health rather than Other Financing Uses.
- In 2005, the sale of a fixed asset in the amount of \$8,000 was improperly posted to Miscellaneous receipts.
- In 2005, the purchase of a fixed asset in the amount of \$20,620 was posted to Public Works rather than Capital Outlay.

Gilead Township
Morrow County, Ohio

Schedule of Findings
December 31, 2006 and 2005

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

FINDING NUMBER 2006-004 (continued)

Adjustments were made to the accompanying financial statements for the above items.

The lack of proper management oversight could result in a material misstatement of the financial statements. We recommend the Township refer to the Ohio Township Handbook for proper classification of receipts and expenditures and use due care in posting receipts and expenditures to the Township's books.

Official's Response – We did not receive a response from Officials regarding this finding.



Mary Taylor, CPA
Auditor of State

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
MARCH 6, 2008**