



**Auditor of State  
Betty Montgomery**



**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

**JANUARY 1, 2001 THROUGH DECEMBER 31, 2002**

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**Auditor of State  
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS**

Bazetta Township  
Trumbull County  
3372 State Route 5 NE  
Cortland, Ohio 44410

To the Board of Trustees:

We have audited the accompanying financial statements of Bazetta Township (the Township) as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2003 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive style with a large, prominent initial "B".

**Betty Montgomery**  
Auditor of State

June 16, 2003

**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

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

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fiduciary Funds	
<b>Cash Receipts:</b>						
Local Taxes	\$164,481	\$1,443,228	\$58,213	\$0	\$0	\$1,665,922
Intergovernmental	163,392	241,703	19,682	74,425	0	499,202
Special Assessments	0	4,531	0	0	0	4,531
Charges for Services	0	198,905	0	0	0	198,905
Licenses, Permits, and Fees	30,413	53,381	0	0	0	83,794
Earnings on Investments	6,879	1,342	0	0	0	8,221
Gifts	6,750	0	0	0	0	6,750
Other Revenue	2,582	51,757	0	0	0	54,339
<b>Total Cash Receipts</b>	<b>374,497</b>	<b>1,994,847</b>	<b>77,895</b>	<b>74,425</b>	<b>0</b>	<b>2,521,664</b>
<b>Cash Disbursements:</b>						
Current:						
General Government	254,250	35,010		0	0	289,260
Public Safety	33,679	1,520,683		0	0	1,554,362
Public Works	9,615	211,718		74,425	0	295,758
Health	19,595	47,556		0	0	67,151
Human Services	22,715	0		0	0	22,715
Debt Service:						
Redemption of Principal	0	0	64,304	0	0	64,304
Interest and Fiscal Charges	0	0	15,789	0	0	15,789
Capital Outlay	90,335	190,990		0	0	281,325
<b>Total Cash Disbursements</b>	<b>430,189</b>	<b>2,005,957</b>	<b>80,093</b>	<b>74,425</b>	<b>0</b>	<b>2,590,664</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(55,692)</b>	<b>(11,110)</b>	<b>(2,198)</b>	<b>0</b>	<b>0</b>	<b>(69,000)</b>
<b>Other Financing Receipts and (Disbursements):</b>						
Transfers-In	0	5,495	0	0	0	5,495
Transfers-Out	(5,495)	0	0	0	0	(5,495)
Advances-In	48,800	10,000	0	0	0	58,800
Advances-Out	(10,000)	(48,800)	0	0	0	(58,800)
Other Sources	1,424	10,750	0	0	0	12,174
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>34,729</b>	<b>(22,555)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,174</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(20,963)</b>	<b>(33,665)</b>	<b>(2,198)</b>	<b>0</b>	<b>0</b>	<b>(56,826)</b>
<b>Fund Cash Balances, January 1</b>	<b>206,878</b>	<b>320,052</b>	<b>2,227</b>	<b>0</b>	<b>0</b>	<b>529,157</b>
<b>Fund Cash Balances, December 31</b>	<b>\$185,915</b>	<b>\$286,387</b>	<b>\$29</b>	<b>\$0</b>	<b>\$0</b>	<b>\$472,331</b>
<b>Reserve for Encumbrances, December 31</b>	<b>\$2,919</b>	<b>\$34,845</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$37,764</b>

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

**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - NON-EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Fiduciary Fund Types</b>
	<b>Nonexpendable Trust</b>
<b>Operating Cash Receipts:</b>	
Miscellaneous	132
Total Operating Cash Receipts	132
<b>Operating Cash Disbursements:</b>	
Supplies and Materials	425
Total Operating Cash Disbursements	425
Operating Income/(Loss)	(293)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(293)
Net Receipts Over/(Under) Disbursements	(293)
Fund Cash Balances, January 1	4,813
<b>Fund Cash Balances, December 31</b>	<b>\$4,520</b>
Reserve for Encumbrances, December 31	\$0

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



**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$191,665	\$1,371,058	\$60,227	\$1,622,950
Intergovernmental	174,961	172,545	22,972	370,478
Charges for Services	0	132,498	0	132,498
Licenses, Permits, and Fees	17,747	77,927	0	95,674
Special Assessments	0	4,572	0	4,572
Earnings on Investments	12,789	2,288	0	15,077
Other Revenue	3,935	87,963	0	91,898
	<u>401,097</u>	<u>1,848,851</u>	<u>83,199</u>	<u>2,333,147</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	260,788	39,178	0	299,966
Public Safety	36,193	1,459,830	0	1,496,023
Public Works	10,158	213,103	0	223,261
Health	21,184	49,066	0	70,250
Human Services	21,346		0	21,346
Debt Service:				
Redemption of Principal			64,304	64,304
Interest and Fiscal Charges			16,668	16,668
Capital Outlay	35,575	54,370	0	89,945
	<u>385,244</u>	<u>1,815,547</u>	<u>80,972</u>	<u>2,281,763</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>15,853</u>	<u>33,304</u>	<u>2,227</u>	<u>51,384</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	0	750		750
Transfers-Out	(750)	0		(750)
Advances-In	8,500	48,800	0	57,300
Advances-Out	(48,800)	(8,500)		(57,300)
Other Sources	3,482	15,500	0	18,982
	<u>(37,568)</u>	<u>56,550</u>	<u>0</u>	<u>18,982</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(21,715)</u>	<u>89,854</u>	<u>2,227</u>	<u>70,366</u>
<b>Fund Cash Balances, January 1</b>	<u>228,593</u>	<u>230,198</u>	<u>0</u>	<u>458,791</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$206,878</b></u>	<u><b>\$320,052</b></u>	<u><b>\$2,227</b></u>	<u><b>\$529,157</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$35,734</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$35,734</b></u>

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

**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - NON-EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Fiduciary Fund Types</b>
	<b>Nonexpendable Trust</b>
<b>Operating Cash Receipts:</b>	
Interest	428
Total Operating Cash Receipts	428
<b>Operating Cash Disbursements:</b>	
Contractual Services	0
Supplies and Materials	120
Total Operating Cash Disbursements	120
Operating Income/(Loss)	308
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	308
Net Receipts Over/(Under) Disbursements	308
Fund Cash Balances, January 1	4,505
<b>Fund Cash Balances, December 31</b>	<b>\$4,813</b>

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

**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Bazetta Township, Trumbull County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general government 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 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 reported 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.

Certificate of Deposits and Repurchase Agreements are recorded at cost as reported by the bank.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Fire District* – This fund receives property tax money for the general operation of the fire department.

*Police District* – This fund receives tax money for the general operation of the police department,

**3. Capital Project Funds**

These funds are 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* – The Township received a grant from the State of Ohio for repairs of Township roads.

**4. Debt Service Fund**

The Debt Service fund is used to accumulate resources for the payment of note indebtedness. The Township had the following significant Debt Service Fund: General Note Retirement Fund.

**5. Fiduciary Funds (Nonexpendable Trust)**

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary fund: Cemetery Bequest Fund.

**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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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 2002 and 2001 budgetary activity appears in Note 3.

**F. 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.

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2002	2001
Demand deposits	\$40,379	\$10,073
Certificate of Deposit	18,000	18,000
Total deposits	58,379	28,073
Repurchase Agreements	418,472	502,897
Total deposits and investments	\$476,851	\$530,970

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

**Investments:** Repurchase agreements are held by the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$397,647	\$375,921	(\$21,726)
Special Revenue	2,000,417	2,011,092	10,675
Debt Service	77,896	77,895	(1)
Capital Projects	74,425	74,425	0
Non-Expendable Trust	200	132	(68)
Total	\$2,550,585	\$2,539,465	(\$11,120)

General	\$635,198	\$438,603	\$196,595
Special Revenue	2,247,662	2,040,802	206,860
Debt Service	80,123	80,093	30
Capital Projects	74,425	74,425	0
Non-Expendable Trust	5,014	425	4,589
Total	\$3,042,422	\$2,634,348	\$408,074

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$424,834	\$404,579	(\$20,255)
Special Revenue	1,828,461	1,865,101	36,640
Debt Service	83,195	83,199	4
Non-Expendable Trust	150	428	278
Total	\$2,336,640	\$2,353,307	\$16,667

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$599,076	\$421,728	\$177,348
Special Revenue	1,987,598	1,815,547	172,051
Debt Service	83,195	80,972	2,223
Non-Expendable Trust	4,655	120	4,535
Total	\$2,674,524	\$2,318,367	\$356,157

Contrary to Ohio law, the Township did not certify or encumber certain purchases until the time of payment.

**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

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

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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. DEBT**

Debt outstanding at December 31, 2002 was as follows:

General Obligation Notes -1997	229,472	4.13 - 4.65 %
General Obligation Notes -2000	<u>28,350</u>	5.72%
Total	<u><u>\$257,822</u></u>	

The General Obligation Note issued in 1997 were used to construct a new Police facility. The General Obligation Notes issued in 2000 were used to purchase a new dump truck. Both notes will be repaid with tax revenue certified for that specific use.

Amortization of the above debt, including interest, is scheduled as follows:

	<u>General Obligation Notes</u>
Year ending December 31:	
2003	\$67,353
2004	65,875
2005	64,370
2006	50,138
2007	<u>48,032</u>
Total	<u><u>\$295,768</u></u>

**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

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

**6. RETIREMENT SYSTEMS**

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

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



**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

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

**7. RISK MANAGEMENT – (Continued)**

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

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

**8. CONTINGENT LIABILITIES**

The Township is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

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**Auditor of State  
Betty Montgomery**

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

Bazetta Township  
Trumbull County  
3372 State Route 5 NE  
Bazetta, Ohio 44410

To the Board of Trustees:

We have audited the accompanying financial statements of Bazetta Township (the Township) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated March 31, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2002-41178-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 31, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated March 31, 2003.

Bazetta Township  
Trumbull County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
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This report is intended solely for the information and use of management, the Board of Trustees, and the audit committee, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

June 16, 2003

**BAZETTA TOWNSHIP  
TRUMBULL COUNTY**

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

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

**FINDING NUMBER 2002-41178-001**

**Ohio Rev. Code, Section 5705.41(D)**, provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate.
2. If the amount involved is less than one thousand dollars (\$1,000), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

Our test of disbursements indicated that 50% of the expenditures tested were committed prior to the certification of available funds by the fiscal officer. Neither exception listed above was followed, contrary to Ohio Rev. Code 5705.41(D). This condition does not provide adequate accountability over the Township's disbursements. Obligations may be incurred which either the Board or management has not authorized or which the Township cannot afford.

The Township should establish control policies and procedures that are sufficient to ensure that purchases are certified and encumbered by the fiscal officer at the time of purchase.

Contrary to Ohio law, the Township did not certify or encumber certain purchases until the time of payment.





**Auditor of State  
Betty Montgomery**

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**BAZETTA TOWNSHIP**

**TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 15, 2003**