



**Auditor of State
Betty Montgomery**

**BLUE ROCK TOWNSHIP
MUSKINGUM COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Blue Rock Township
Muskingum County
7155 Buttermilk Road
Blue Rock, Ohio 43720-9534

To the Board of Trustees:

We have audited the accompanying financial statements of Blue Rock Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002. 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 of the Blue Rock Township, Muskingum County, as of December 31, 2003 and 2002, 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 September 28, 2004, 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 management, the Board of Trustees 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, flowing style.

Betty Montgomery
Auditor of State

September 28, 2004

**BLUE ROCK TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY 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>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$10,939	\$26,556	\$	\$37,495
Intergovernmental	24,684	76,790		101,474
Earnings on Investments	7	7	1	15
Other Revenue	251	3,001		3,252
	<u>35,881</u>	<u>106,354</u>	<u>1</u>	<u>142,236</u>
Cash Disbursements:				
Current:				
General Government	31,206			31,206
Public Safety		6,869		6,869
Public Works	3,907	83,642		87,549
Health		3,532		3,532
	<u>35,113</u>	<u>94,043</u>	<u>0</u>	<u>129,156</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>768</u>	<u>12,311</u>	<u>1</u>	<u>13,080</u>
Fund Cash Balances, January 1	<u>11,713</u>	<u>2,376</u>	<u>669</u>	<u>14,758</u>
Fund Cash Balances, December 31	<u>\$12,481</u>	<u>\$14,687</u>	<u>\$670</u>	<u>\$27,838</u>

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

**BLUE ROCK TOWNSHIP
MUSKINGUM COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$10,678	\$25,151	\$	\$35,829
Intergovernmental	29,911	61,240		91,151
Earnings on Investments	79	103	7	189
Other Revenue	14	0		14
Total Cash Receipts	<u>40,682</u>	<u>86,494</u>	<u>7</u>	<u>127,183</u>
Cash Disbursements:				
Current:				
General Government	49,968			49,968
Public Safety		6,821		6,821
Public Works		87,308		87,308
Health		2,856		2,856
Total Cash Disbursements	<u>49,968</u>	<u>96,985</u>	<u>0</u>	<u>146,953</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(9,286)</u>	<u>(10,491)</u>	<u>7</u>	<u>(19,770)</u>
Fund Cash Balances, January 1	<u>20,999</u>	<u>12,867</u>	<u>662</u>	<u>34,528</u>
Fund Cash Balances, December 31	<u>\$11,713</u>	<u>\$2,376</u>	<u>\$669</u>	<u>\$14,758</u>

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

**BLUE ROCK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Blue Rock Township, Muskingum 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 road maintenance (public works), cemetery maintenance (health), and fire protection and emergency medical services (public safety) through contracts with Wayne Township Fire Department and Harrison Township Emergency Squad.

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. 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:

Gasoline Tax Fund - This fund receives gasoline tax money for construction, maintenance and repair of Township roads.

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for construction, maintenance and repair of Township roads.

Road and Bridge Fund - This fund receives property tax money for construction, maintenance and repair of Township roads and bridges.

Fire Levy Fund - This fund receives property tax money to provide for fire protection.

**BLUE ROCK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Fiduciary Fund

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain a corpus of the trust, the fund is classified as a non-expendable trust fund. The Township has established a Cemetery Bequest Fund as a non-expendable trust.

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 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 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. The Township did not encumber commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

E. 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.

**BLUE ROCK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

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:

	2003	2002
Demand deposits	\$27,838	\$14,758

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,276	\$35,881	(\$20,395)
Special Revenue	119,095	106,354	(12,741)
Fiduciary	8	1	(7)
Total	\$175,379	\$142,236	(\$33,143)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$65,992	\$35,113	\$30,879
Special Revenue	144,088	94,043	50,045
Fiduciary	669	0	669
Total	\$210,749	\$129,156	\$81,593

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,017	\$40,682	\$7,665
Special Revenue	112,380	86,494	(25,886)
Fiduciary	0	7	7
Total	\$145,397	\$127,183	(\$18,214)

**BLUE ROCK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$58,698	\$49,968	\$8,730
Special Revenue	121,441	96,985	24,456
Fiduciary	662	0	662
Total	\$180,801	\$146,953	\$33,848

Accountability and Compliance:

Contrary to Ohio law, at December 31, 2002, the Township's Motor Vehicle License Tax Fund and Gasoline Tax Fund had negative fund balances of \$1,816 and \$9,320, respectively. At December 31, 2003, the Township's Motor Vehicle License Tax Fund and Gasoline Tax Fund had negative fund balances of \$1,302 and \$3,616, respectively. The Township also operated throughout 2002 and 2003 with negative fund balances in the Motor Vehicle License Tax Fund and Gasoline Tax Fund.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the FEMA Fund by the amount of \$7,612 for the year ended December 31, 2003.

Contrary to Ohio law, various receipts were posted to incorrect funds during 2002 and 2003 and certain special revenue funds had negative fund balances at December 31, 2002 and 2003.

Contrary to Ohio law, appropriations exceeded estimated resources in the General Fund for the year ended December 31, 2002, and in the Motor Vehicle License Tax Fund, Gasoline Tax Fund, and Road and Bridge Fund at December 31, 2003.

Contrary to Ohio law, the Township failed to obtain reduced amended certificates and modify appropriations accordingly when estimated receipts greatly exceeded actual receipts.

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 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.

**BLUE ROCK TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

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 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 2003 and 2002, 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, 2003.

6. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. 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. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, 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 \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding 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 township.

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:

BLUE ROCK TOWNSHIP
MUSKINGUM COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

6. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>



Auditor of State Betty Montgomery

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

Blue Rock Township
Muskingum County
7155 Buttermilk Road
Blue Rock, Ohio 43720-9534

To the Board of Trustees:

We have audited the accompanying financial statements of Blue Rock Township, Muskingum County, Ohio (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated September 28, 2004. 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 items 2003-001 through 2003-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated September 28, 2004.

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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2003-002. We also 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 September 28, 2004.

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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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the Township's management in a separate letter dated September 28, 2004.

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.



Betty Montgomery
Auditor of State

September 28, 2004

**BLUE ROCK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** - If the fiscal officer (Clerk) can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Board of Township Trustees) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 29% of the expenditures tested and there was no evidence that the Township followed the aforementioned exceptions. Without these certifications, the management of the Township lost budgetary control over expenditures and, as more fully explained in finding 2003-005, this condition allowed noncompliance with Ohio Revised Code Section 5705.41(B) to occur.

**BLUE ROCK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-001 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2003-002

Noncompliance Citation and Reportable Condition

Ohio Rev. Code Section 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received and requires that money paid into any fund shall be used only for the purposes for which such fund is established.

During 2002 and 2003, the Township posted certain receipts to improper funds. The sources of these receipts included real estate tax, estate tax, county grants, motor vehicle license tax, gasoline tax, and homestead and rollback distributions. As a result, it was necessary to adjust receipts by the following amounts, in the following funds:

FUND	Decrease	Increase
General		\$9,988
Motor Vehicle License Tax	\$ 7,308	
Gasoline Tax	\$13,199	
Road and Bridge		\$9,232
Cemetery		\$394
Fire Levy		\$893

These adjustments, with which Township management agrees, have been posted to the Township's records and are reflected in the accompanying financial statements.

**BLUE ROCK TOWNSHIP
MUSKINGUM COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-003

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states, in part, that money paid into a fund must be used for the purposes for which said fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2002, the Township's Motor Vehicle License Tax Fund and Gasoline Tax Fund had negative fund balances of \$1,816 and \$9,320, respectively. At December 31, 2003, the Township's Motor Vehicle License Tax Fund and Gasoline Tax Fund had negative fund balances of \$1,302 and \$3,616, respectively. The Township also operated throughout 2002 and 2003 with negative fund balances in the Motor Vehicle License Tax Fund and Gasoline Tax Fund.

We recommend the Township use money paid into a fund only for the allowed purposes of that fund.

FINDING NUMBER 2003-004

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(2)-(4) allows political 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. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

Actual revenues were significantly less than estimated resources and appropriations exceeded unencumbered beginning balances plus actual receipts in the General Fund by \$4,682 during 2002. During 2003, appropriations exceeded unencumbered beginning balances plus actual receipts in the Motor Vehicle License, Road and Bridge, and Cemetery Funds by \$2,381, \$7,776 and \$15,015, respectively. A reduced amended certificate should have been obtained for these funds when management became aware that estimates were too high.

We recommend the Township Clerk and the Board of Trustees compare actual receipts to estimated receipts on a monthly basis to determine if amended certificates are needed and to comply with the aforementioned requirement.

**BLUE ROCK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2003-005

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Expenditures were made in February of 2002 prior to the adoption of the Township's annual appropriation measure in March. A temporary appropriation measure was not adopted by the Board of Trustees. Furthermore, the Township had expenditures in excess of appropriations for the year ended December 31, 2003 in the FEMA Fund by \$7,612.

We recommend a temporary appropriation measure be established at the organizational meeting each year to cover the expenditures of the Township until the annual appropriation measure can be adopted and filed. The Township Clerk should monitor available appropriations, and should deny payments that exceed appropriations. If available resources exist to make the payment, then the Township Clerk should request the Board of Trustees to consider amending appropriations.

FINDING NUMBER 2003-006

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states the total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate with the appropriating authority that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded the official amended certificate in the General Fund by \$4,682 during the year ended December 31, 2002. Appropriations exceeded the official amended certificate in the Motor Vehicle License Tax Fund by \$2,381, Gasoline Tax Fund by \$7,775, and Road and Bridge Fund by \$15,015 during the year ended December 31, 2003. Noncompliance during fiscal year 2003 was the result of the Township using the incorrect beginning fund balance amounts on the official amended certificates.

We recommend the Township refrain from adopting appropriations in excess of estimated revenues. The Township Clerk should obtain a certificate from the county auditor stating that total appropriations from each fund do not exceed the total estimated resources.

**BLUE ROCK TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-41060-001	Ohio Rev. Code Section 5705.10 – monies posted to incorrect funds.	No	Repeated as finding 2003-003
2001-41060-002	Ohio Rev. Code Section 5705.41(D) – Failure to certify funds.	No	Repeated as finding 2003-001
2001-41060-003	Ohio Rev. Code Section 5705.41(B) – making expenditures without being appropriated.	No	Repeated as finding 2003-002



**Auditor of State
Betty Montgomery**

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**BLUE ROCK TOWNSHIP
MUSKINGUM 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
NOVEMBER 16, 2004**