



**MIFFLIN TOWNSHIP
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MIFFLIN TOWNSHIP
FRANKLIN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Mifflin Township
Franklin County
155 Old Ridenour Road
Gahanna, Ohio 43230

To the Board of Trustees:

We were engaged to audit the accompanying financial statements of Mifflin Township, Franklin County, Ohio, (the Township) as of and for the years ended December 31, 1999 and December 31, 1998. These financial statements are the responsibility of the Township's management.

We were unable to obtain sufficient, competent evidence to support the transactions and balances presented in the financial statements. We also noted deficiencies in the accounting records and system of internal control, including lack of controls over the approval of transactions and over the accuracy of account balances.

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.

Since the Township did not establish adequate controls nor maintain adequate financial records, we were not able to apply auditing procedures to satisfy ourselves as to the completeness, accuracy, classification, existence, or occurrence of the Township's financial transactions. The scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2001 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 engagement performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our engagement.

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.

JIM PETRO
Auditor of State

February 14, 2001

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**MIFFLIN TOWNSHIP
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash receipts:					
Taxes	\$406,459	\$4,499,372	\$0	\$0	\$4,905,831
Fees, Licenses, and Permits	0	60,230	0	0	60,230
Fines & Forfeitures	23,182	784	0	0	23,966
Intergovernmental Receipts	192,351	559,136	0	83,418	834,905
Interest	241,467	5,230	0	3,155	249,852
All Other Revenue	38,212	45,336	0	0	83,548
Total cash receipts	<u>901,671</u>	<u>5,170,088</u>	<u>0</u>	<u>86,573</u>	<u>6,158,332</u>
Cash disbursements:					
General Government	356,037	0	0	0	356,037
Public Safety	83,519	4,450,772	0	0	4,534,291
Public Works	0	57,993	0	87,795	145,788
Health	90,189	111,396	0	0	201,585
Human Services	3,829	0	0	0	3,829
Miscellaneous	0	0	0	4,623	4,623
Capital Outlay	480,413	141,768	0	0	622,181
Debt Service	0	0	0	0	0
Note Principal Payment	0	0	147,984	0	147,984
Interest & Fiscal Charges	0	0	36,275	0	36,275
Total cash disbursements	<u>1,013,987</u>	<u>4,761,929</u>	<u>184,259</u>	<u>92,418</u>	<u>6,052,593</u>
Total cash receipts over/(under) cash disbursements	(112,316)	408,159	(184,259)	(5,845)	105,739
Other Financing Sources:					
Proceeds of Notes	0	0	0	2,500,000	2,500,000
Operating Transfer-In	0	0	184,259	0	184,259
Operating Transfer-Out	(142,556)	(41,703)	0	0	(184,259)
Other Financing Sources	0	66,375	0	0	66,375
Other Financing Uses	0	0	0	(451)	(451)
Total other financing sources (uses)	<u>(142,556)</u>	<u>24,672</u>	<u>184,259</u>	<u>2,499,549</u>	<u>2,565,924</u>
Excess of cash receipts and other financing sources over/(under) cash disbursements	(254,872)	432,831	0	2,493,704	2,671,663
Fund cash balances, January 1, 1999	<u>2,148,704</u>	<u>2,835,901</u>	<u>0</u>	<u>169,455</u>	<u>5,154,060</u>
Fund cash balances, December 31, 1999	<u>\$1,893,832</u>	<u>\$3,268,732</u>	<u>\$0</u>	<u>\$2,663,159</u>	<u>\$7,825,723</u>
Reserve for Encumbrances, December 31, 1999	<u>\$72,797</u>	<u>\$91,401</u>	<u>\$0</u>	<u>\$0</u>	<u>\$164,198</u>

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

MIFFLIN TOWNSHIP
FRANKLIN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCE - NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Nonexpendable Trust Fund</u>
Operating cash receipts:	
Interest	<u>\$2,005</u>
Total operating cash receipts	<u>2,005</u>
Operating cash disbursements:	
Total operating cash disbursements	<u>0</u>
Net cash receipts over/(under) cash disbursements	2,005
Fund cash balance, January 1, 1999	<u>9,045</u>
Fund cash balance, December 31, 1999	<u><u>\$11,050</u></u>

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

**MIFFLIN TOWNSHIP
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash receipts:				
Taxes	\$392,471	\$4,497,043	\$0	\$4,889,514
Fees, Licenses, and Permits	0	48,732	0	48,732
Fines & Forfeitures	26,521	1,021	0	27,542
Intergovernmental Receipts	205,935	548,198	119,850	873,983
Interest	276,307	4,606	0	280,913
All Other Revenue	67,108	62,778	0	129,886
	<u>968,342</u>	<u>5,162,378</u>	<u>119,850</u>	<u>6,250,570</u>
Total cash receipts				
Cash disbursements:				
General Government	348,239	0	0	348,239
Public Safety	93,265	4,074,924	0	4,168,189
Public Works	0	57,226	162,339	219,565
Health	80,706	102,114	0	182,820
Human Services	3,487	0	0	3,487
Capital Outlay	109,790	141,541	452,676	704,007
	<u>635,487</u>	<u>4,375,805</u>	<u>615,015</u>	<u>5,626,307</u>
Total cash disbursements				
Total cash receipts over/(under) cash disbursements	332,855	786,573	(495,165)	624,263
Other Financing Sources:				
Proceeds of Notes	0	0	464,540	464,540
Operating Transfer-In	0	0	113,517	113,517
Operating Transfer-Out	(27,171)	(86,346)	0	(113,517)
Other Financing Sources	189,530	45,550	0	235,080
	<u>162,359</u>	<u>(40,796)</u>	<u>578,057</u>	<u>699,620</u>
Total other financing sources (uses)				
Excess of cash receipts and other financing sources over/(under) cash disbursements	495,214	745,777	82,892	1,323,883
Fund cash balances, January 1, 1998	<u>1,653,490</u>	<u>2,090,124</u>	<u>86,563</u>	<u>3,830,177</u>
Fund cash balances, December 31, 1998	<u>\$2,148,704</u>	<u>\$2,835,901</u>	<u>\$169,455</u>	<u>\$5,154,060</u>
Reserve for Encumbrances, December 31, 1998	<u>\$234,429</u>	<u>\$149,983</u>	<u>\$3,045</u>	<u>\$387,457</u>

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

MIFFLIN TOWNSHIP
FRANKLIN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCE - NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>Nonexpendable Trust Fund</u>
Operating cash receipts:	
Interest	\$1,667
Total operating cash receipts	<u>1,667</u>
Operating cash disbursements:	
Personal Services	0
Capital Outlay	<u>0</u>
Total operating cash disbursements	<u>0</u>
Net cash receipts over/(under) cash disbursements	1,667
Fund cash balance, January 1, 1998	<u>7,378</u>
Fund cash balance, December 31, 1998	<u><u>\$9,045</u></u>

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

**MIFFLIN TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Mifflin Township, Franklin 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 and, fire and safety protection 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

Depository and investment amounts are valued at cost.

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 Fund:

Fire District Fund - This fund receives fire levy funds to pay for fire protection services.

3. Debt Service Funds

The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness.

**MIFFLIN TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

4. 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:

Public Works Commission Fund - This fund is used to account for construction activity.

5. Fiduciary Funds (Trust Fund)

This fund is used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Cemetery Bequest Fund - This fund is used for perpetual care of the cemetery.

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 fund, function and object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

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 carried over, and need not be re-appropriated.

A summary of 1999 and 1998 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.

**MIFFLIN TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash 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:

	<u>1999</u>	<u>1998</u>
Deposits	\$2,306,418	\$2,250,892
U.S. Treasury Obligations	753,144	26,447
U.S. Treasury Notes	299,262	299,637
U.S. Agency Obligations	4,477,953	2,586,129
Total investments	<u>5,530,359</u>	<u>2,912,213</u>
Total deposits and investments	<u>\$7,836,777</u>	<u>\$5,163,105</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 1999 and December 31, 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$698,100	\$901,671	\$203,571
Special Revenue	5,144,671	5,236,463	91,792
Debt Service	184,868	184,259	(609)
Capital Projects	95,700	2,586,573	2,490,873
Fiduciary	800	2,005	1,205
Total	<u>\$6,124,139</u>	<u>\$8,910,971</u>	<u>\$2,786,832</u>

**MIFFLIN TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,859,403	\$1,229,340	\$1,630,063
Special Revenue	7,587,697	4,895,033	2,692,664
Debt Service	184,868	184,259	609
Capital Projects	100,415	92,869	7,546
Fiduciary	6,593	0	6,593
Total	<u>\$10,738,976</u>	<u>\$6,401,501</u>	<u>\$4,337,475</u>

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$705,445	\$1,157,872	\$452,427
Special Revenue	4,915,131	5,207,928	292,797
Debt Service	0	0	0
Capital Projects	154,707	697,907	543,200
Fiduciary	400	1,667	1,267
Total	<u>\$5,775,683</u>	<u>\$7,065,374</u>	<u>\$1,289,691</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,785,902	\$897,087	\$888,815
Special Revenue	6,896,206	4,612,134	2,284,072
Debt Service	0	0	0
Capital Projects	35,145	618,060	(582,915)
Fiduciary	2,993	0	2,993
Total	<u>\$8,720,246</u>	<u>\$6,127,281</u>	<u>\$2,592,965</u>

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.

**MIFFLIN TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. PROPERTY TAX (Continued)

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Township Building Notes	\$1,103,941	5.4%
Fire Station Notes	1,347,529	5.4%
Equipment Loan	381,087	5.2%
Total	\$2,832,557	

The Township building notes were issued to finance the construction of a new Township administration building and the fire station notes were issued to finance the construction of a new Township fire station. The notes are tax anticipation notes backed by the full faith and credit of the Township. The equipment loan was used to finance the purchase of an emergency medical vehicle and rescue/pumper.

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

Year ending December 31:	Township Building Notes	Fire Station Notes	Equipment Loan
2000	\$409,974	\$500,436	\$108,392
2001	409,974	500,436	108,392
2002	375,810	458,733	108,392
2003	0	0	108,392
Total	\$1,195,758	\$1,459,605	\$433,568

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF 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 1999 AND 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Township contributed an amount equal to 19.5% of their wages. 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, 1999.

**MIFFLIN TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Vehicle

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

9. COMPLIANCE AND ACCOUNTABILITY

In 1999, expenditures exceeded appropriations in the Permanent Improvement fund by \$5,074. In 1998, expenditures exceeded appropriations in the Capital Equipment fund by \$452,267, in the Public Works fund by \$130,240, and the CDBG fund by \$86,345.

In 1999, \$184,259 in transfers were not approved by the Board of Trustees. In 1998, \$86,345 in transfers were not approved by the Board of Trustees.

Township financial transactions were not always correctly and timely recorded in the accounting records.

Township bank reconciliations were not accurately and timely completed by the Clerk. At December 31, 1999 the reconciliation was unreconciled by approximately \$66,000.

Township budgeted revenues and appropriations were not timely and accurately recorded in the accounting records.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

Mifflin Township
Franklin County
155 Old Ridenour Road
Gahanna, Ohio 43230

To the Board of Trustees:

We were engaged to audit the accompanying financial statements of Mifflin Township, Franklin County, Ohio (the Township), as of and for the years ended December 31, 1999, and December 31, 1998, and have issued our report thereon dated February 14, 2001, wherein we disclaimed an opinion due to a lack of internal control and insufficient evidential matter. We conducted our engagement in accordance with generally accepted auditing standards 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 our engagement, we performed tests of the Township's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement 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 2000-40625-001 through 2000-40625-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated February 14, 2001.

Internal Control Over Financial Reporting

In planning and performing our engagement, we considered the Township's internal control over financial reporting in order to determine our procedures and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying schedule of findings as items 2000-40625-003 through 2000-40625-011.

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 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, of the reportable conditions described above, we consider items 2000-40625-003 through 2000-40625-009 to be material weaknesses. We also noted another 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 February 14, 2001.

This report is intended for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

February 14, 2001

**MIFFLIN TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

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

FINDING NUMBER 1999-40625-001

Approval of Transfers

Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16 state transfers may be made only by resolution of the taxing authority.

In 1998, the Township had \$86,345 of transfers that were not approved by the Board of Trustees. In 1999 the Township had \$184,259 of transfers that were not approved by the Board of Trustees.

We recommend the Township make transfers only when proper approval is given by the Board of Trustees.

FINDING NUMBER 1999-40625-002

Expenditures Exceeded Appropriations

Ohio Rev. Code Section 5705.41 (B) states in part that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated against an appropriate fund.

The annual appropriation resolution is legally enacted by the Board of Trustees at the fund, function, and object level of expenditures in the various funds, which is the legal level of budgetary control. Expenditures exceeded appropriations at the legal level of control at December 31, 1998 in the Capital Equipment Fund by \$452,675, in the Public Works Fund by \$130,240, and in the CDBG Fund by \$86,345. In 1999, expenditures exceeded appropriations in the Permanent Improvement Fund by \$5,047.

We recommend the Board approve appropriations for all funds from which expenditures are anticipated to be made, in order for expenditures not to exceed appropriations.

FINDING NUMBER 1999-40625-003

Township Expenditures

Ohio Rev. Code Section 507.11(B) states no money belonging to a township may be paid out except upon an order signed personally by at least two trustees and countersigned by the clerk.

The Township uses a check signer for the signature of the Trustees rather than their personal signature. The Clerk has complete control over this check signer. The Trustees never actually see or approve the checks at the time they are prepared. Although a list of checks is approved by the trustees monthly, the list does not contain the vendor and the approval is subsequent to the mailing of the checks. Therefore, the Trustees do not know if Township funds are being paid to authorized vendors for the proper amounts and for proper purposes.

This use of a check signer without Trustee control increases the possibility that funds could be misappropriated and not detected.

We recommend at least two Trustees personally sign the checks. Before signing the checks, they should be compared to invoices to ensure checks are for the proper amount and to a proper vendor.

**MIFFLIN
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 1999-40625-004

Correct and Timely Posting

During 1998 and 1999, the Township had numerous instances of duplicate postings, correcting journal entries, and voids of receipt and expenditure transactions. In addition, transactions were also not being posted timely. For instance, all of December 1998 transactions were not posted until February 1999.

As a result, bank reconciliations were not performed properly or timely and the Township Trustees did not receive accurate financial information.

Incorrect and untimely recording of receipt and expenditure transactions indicates that Township assets could be susceptible to misappropriation.

Township Trustees should adopt policies and procedures to ensure that all financial activity is posted to the Township's accounting records timely and accurately. In the absence of these procedures being properly performed by the Clerk, the policy should address contingency plans to ensure that financial activity is summarized and recorded in a timely and accurate manner by other authorized personnel.

Transactions not being recorded in a timely manner was also reported in the prior audit report.

FINDING NUMBER 1999-40625-005

Board Monitoring of Financial Activity

During 1998 and 1999, the Board of Trustees did not monitor the Township's financial activities, such as review of monthly cash reconciliations, review of monthly cash or fund journals, review of budgeted versus actual amounts and approval of expenditures prior to the checks being prepared and mailed.

Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Monitoring controls generally are concerned with users' analysis of reports or other forms of data produced by the accounting system. Such data may indirectly provide assurance as to the reliability of financial reporting information if it conforms with the users' expectations.

We recommend the Township Trustees periodically review information regarding revenues, expenditures, outstanding encumbrances, and monthly cash balances. This review should include the monthly reconciliation of all bank accounts and monthly budgetary reports comparing budgeted receipts and expenditures to actual results of operations.

Lack of proper monitoring activities by the Board was also reported in the prior audit report.

**MIFFLIN TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

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

FINDING NUMBER 1999-40625-006

Bank Reconciliations

Monthly bank reconciliations were not properly performed throughout 1998 and 1999. The reconciliations included unsupported reconciling items and the unreconciled balances varied by as much as \$156,770. At December 31, 1999, we believe that the unreconciled balance approximates \$66,000. This resulted in the financial statements for the years ended December 31, 1998, and December 31, 1999, being declared unauditible. The Township has been out of balance since 1992 and was declared unauditible in the previous audit, as well. In addition, the fund journal and the cash journal fund balances have not agreed for several years.

When cash reconciliations are not properly performed, monthly financial statements may be misstated and management cannot be assured that financial statements reflect the proper financial activities of the Township. Also, lack of legislative monitoring may lead to errors, irregularities, or misappropriation of Township assets.

We recommend the Clerk perform monthly bank reconciliations. All discrepancies between the amounts on the bank statements and the fund balances on the Township records should be investigated and resolved in a timely manner. In addition, the bank reconciliations, including all supporting documentation, should be reviewed by the Board of Trustees in order to assure accuracy and that all errors and/or irregularities are detected in a timely manner.

Because the Clerk cannot identify all sources of the unreconciled items at December 31, 1999, the Township should open new bank accounts and begin reconciling the activity in the new accounts timely and accurately. The Clerk should then research and identify the unreconciled transactions as expeditiously as possible. After the old unreconciled items are identified, adjusted in the accounting records, and eliminated, the old bank accounts should be closed. At that time if there still exists an unreconciled amount the Board of Trustees should take legislative action to approve a fund balance adjustment to reconcile the Township accounting records to the bank reconciliation.

Lack of proper reconciliations was also reported in the prior audit.

FINDING NUMBER 1999-40625-007

Segregation of Duties

Although the Township employs two administrative assistants who could collect and deposit Township funds, the Township Clerk collected, posted, and deposited all Township receipts.

This lack of segregation of duties increases the risk that errors and irregularities could occur and go undetected by management.

We recommend the Clerk establish a policy and assign job duties to ensure collecting, posting, and depositing of receipts is segregated.

Lack of segregation of duties was also reported in the prior audit.

**MIFFLIN TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

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

FINDING NUMBER 1999-40625-008

Posting of Estimated Receipts and Appropriations

The Clerk did not post any estimated revenues to the revenue ledger. The original appropriations were posted to the system. However, appropriation modifications were posted to the system which were not approved by the Board.

The purpose of the budget is to help monitor the financial activity of the Township. When budgeted amounts are not properly posted, funds cannot be properly monitored to ensure that appropriations do not exceed estimated revenues and expenditures do not exceed appropriations. Control and accountability over fiscal operations is lost when the budget is not used as a management tool.

To use the budget as an effective management tool, the Clerk should ensure all approved budgeted amounts are posted to the system timely and prepare monthly reports which show the budgeted and actual amount of receipts and disbursements for all funds. The Board should review and use these reports to monitor the financial activity of the Township.

FINDING NUMBER 1999-40625-009

Proper Use of Computer Software

The Clerk does not close the financial records of the Township timely. The transaction code to open the new year and establish fund balances for the 1999 calendar year was entered on January 10, 1999. However, the December transactions for the 1998 calendar year were not entered until February 1999. In addition, it was determined that adjusting entries for 1999 were still being entered in 2001. Because the 1998 transactions were not closed before the 1999 transactions were entered and because adjusting entries to the 1999 transaction file are still taking place, it is difficult to rely on the completeness and accuracy of the accounting records.

It was determined through discussions with the vendor that 1999 transactions should not be entered until the calendar year 1998 is closed. If two calendar years (1998 and 1999) are open at the same time, then the 1999 calendar year transactions must be reentered after 1998 has been closed to accurately record 1999 transactions and account balances. Upon examination of the transaction files for the two calendar years (1998 and 1999) it was determined that this did not happen.

The Township Clerk should close the accounting records on a timely basis and adjustments should be posted in the current period. The Township Clerk should attend a training class, provided by the software vendor, to help ensure that she is aware of the proper use of the accounting software package.

**MIFFLIN TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

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

FINDING NUMBER 1999-40625-010

Timely Depositing of Receipts

Three instances were noted where checks exceeding \$19,000 were not deposited in the bank for at least 10 days after receiving them.

When large receipts are not deposited timely, the risk of loss from burglary, misplacement, or misappropriation is increased. Also, revenue is not available for expenditure or investment when it is not deposited.

We recommend that all deposits be made on a timely basis both to improve cash flow and reduce the risk of loss. Large receipts should be deposited within 24 hours of receipt.

Lack of timely depositing was also reported in the prior audit.

FINDING NUMBER 1999-40625-011

Audit Committee

The prior audit report contained a recommendation that an audit committee be established to review the accounting and financial reporting policies and procedures. The Township's audit committee was formed in 1999 but has not been actively involved in monitoring the financial activity of the Township or the Township's response to prior audit citations and recommendations.

The active involvement of the audit committee may help to increase the accountability over proper financial reporting and monitoring.

We recommend the audit committee meet regularly (perhaps quarterly) to monitor the Township's legal compliance, financial condition, and controls over proper financial reporting.



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MIFFLIN TOWNSHIP

FRANKLIN 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
APRIL 5, 2001**