



**Auditor of State  
Betty Montgomery**



OHIO TOWNSHIP  
GALLIA COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Ohio Township  
Gallia County  
14038 Hannan Terrace Road  
Crown City, Ohio 45623

To the Board of Trustees:

We have audited the accompanying financial statements of Ohio Township, Gallia County, Ohio (the Township), as of and for the years then ended December 31, 2001 and 2000. 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.

Except as discussed in the following paragraph, 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.

We were unable to support payroll disbursements for the period of January 1, 2000 to December 31, 2001. This was a result of the Clerk not maintaining adequate payroll ledgers.

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, except for the effect of such adjustments, if any, that might have been required had we been able to examine sufficient evidence to support payroll disbursements, the financial statements referred to above presents fairly, in all material respects, the combined fund cash balances of Ohio Township, Gallia County, as of December 31, 2001 and 2000, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 10, the Township's General Fund has a cash deficit of \$13,046 as of December 31, 2001, and a cash deficit of \$20,233 as of December 31, 2000, and is experiencing other financial difficulties.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 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.

Ohio Township  
Gallia County  
Independent Accountants' Report  
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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

July 1, 2003

**OHIO TOWNSHIP  
GALLIA 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>	
<b>Cash Receipts:</b>			
Local Taxes	\$11,820	\$18,273	\$30,093
Intergovernmental	24,381	61,540	85,921
Earnings on Investments		365	365
		<hr/>	<hr/>
Total Cash Receipts	<u>36,201</u>	<u>80,178</u>	<u>116,379</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	29,014		29,014
Public Safety		5,489	5,489
Public Works		49,370	49,370
Debt Service:			
Redemption of Principal		5,600	5,600
Capital Outlay		968	968
		<hr/>	<hr/>
Total Cash Disbursements	<u>29,014</u>	<u>61,427</u>	<u>90,441</u>
 Total Cash Receipts Over/(Under)Cash Disbursements	 <u>7,187</u>	 <u>18,751</u>	 <u>25,938</u>
 Fund Cash Balances, January 1	 <u>(20,233)</u>	 <u>39,273</u>	 <u>19,040</u>
<b>Fund Cash Balances, December 31</b>	<b><u>(\$13,046)</u></b>	<b><u>\$58,024</u></b>	<b><u>\$44,978</u></b>

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

**OHIO TOWNSHIP  
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$4,669	\$6,006	\$10,675
Intergovernmental	11,934	64,605	76,539
Earnings on Investments		442	442
Other Revenue	3,847		3,847
	<u>20,450</u>	<u>71,053</u>	<u>91,503</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	39,100	2,341	41,441
Public Safety		6,193	6,193
Public Works		44,535	44,535
Debt Service:			
Redemption of Principal		2,800	2,800
Capital Outlay		1,497	1,497
	<u>39,100</u>	<u>57,366</u>	<u>96,466</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(18,650)</u>	<u>13,687</u>	<u>(4,963)</u>
Fund Cash Balances, January 1	<u>(1,583)</u>	<u>25,586</u>	<u>24,003</u>
<b>Fund Cash Balances, December 31</b>	<b><u>(\$20,233)</u></b>	<b><u>\$39,273</u></b>	<b><u>\$19,040</u></b>

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



**OHIO TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Ohio Township, Gallia 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 and a publicly elected Clerk. The Township provides road and bridge maintenance, cemetery maintenance and fire protection.

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 that is 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:

*Motor Vehicle License Tax Fund*- This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

*Gasoline Tax Fund* - This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

**OHIO TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

**D. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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. The Township did not use the encumbrance method of accounting.

A summary of 2001 and 2000 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.

**2. EQUITY IN POOLED CASH**

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

	<u>2000</u>	<u>2001</u>
Demand deposits	<u>\$19,040</u>	<u>\$44,978</u>

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

**OHIO TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$21,004	\$36,201	\$15,197
Special Revenue	75,475	80,178	4,703
Total	\$96,479	\$116,379	\$19,900

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$24,568	\$29,014	(\$4,446)
Special Revenue	91,318	61,427	29,891
Total	\$115,886	\$90,441	\$25,445

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$16,947	\$20,450	\$3,503
Special Revenue	63,025	71,053	8,028
Total	\$79,972	\$91,503	\$11,531

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$19,000	\$39,100	(\$20,100)
Special Revenue	83,500	57,366	26,134
Total	\$102,500	\$96,466	\$6,034

The Township did not encumber funds contrary to Ohio law. Also, contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund for the years ended December 31, 2001 and 2000.

**OHIO TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(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.

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.

**5. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
General Obligation Note	\$1,398	0.00%
Total	\$1,398	

The General Obligation Loan relates to the Fire Truck joint contract with two other Townships. A loan agreement was signed with two other Townships for \$11,187 each, due in annual installments over 8 years. The first payment was made December 30, 1999. During 2000 and 2001 the Township made 3 payments each for two years. The next payment is not due until December 2006 which is the final payment.

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

	General Obligation Notes
Year ending December 31: 2006	\$1,398
Total	\$1,398

**OHIO TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Township's elected officials and 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. The Clerk did not maintain adequate support documentation for payroll related withholdings and we could not verify if all payments required were remitted to PERS. Also, the Clerk did not make PERS payments in 2001. As a result the Public Employees Retirement System has begun to seize the Township Local Government monies effective September 20, 2002 from the Gallia County Auditor's Office prior to them being sent to the Township. These seizures are based solely on estimates.

**7. 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 occurrence. 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, which the General Reinsurance Corporation will reinsure.

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. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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 report the following assets, liabilities and retained earnings at December 31:

**OHIO TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**7. RISK POOL MEMBERSHIP (Continued)**

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

**8. CONTINGENT LIABILITIES**

The Township Clerk did not properly maintain payroll records such as State and Federal Tax withholdings. We were able to determine that the Township stopped making retirement and other withholdings to the proper agencies during the audit period. We were unable to determine the amount of underpayment since the Clerk only maintained net payroll checks. This apparent underpayment represents a potential substantial liability to the Township.

**9. RELATED PARTY TRANSACTIONS**

The Township employed the services of Avlen Mooney during 2000 and 2001. Mr. Mooney is the brother and uncle of Trustees Clarence and Frank Mooney, respectively. During the audit period Mr. Mooney was paid as a Township laborer the net sum \$7,640 at rate of \$7.00 per hour. The Clerk did not maintain payroll records and we could not verify the amount of compensation received to recalculations of timecards.

**10. DEFICIT FUND BALANCES**

At December 31, 2001 and December 31, 2000, the Township's General Fund had a negative cash fund balance, as follows, contrary to provisions of Ohio Rev. Code Section 5705.10:

<u>Fund Type</u>	<u>Balance at December 31, 2001</u>	<u>Balance at December 31, 2000</u>
General Fund	\$ (13,046)	\$ (20,233)

**OHIO TOWNSHIP  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**10. DEFICIT FUND BALANCES (Continued)**

The Clerk has not reconciled the Township's bank account or posted receipts and disbursements to the accounting system from the end of this audit period to the date of the audit opinion. There is no interim financial data present to determine if the Township has corrected any of the problems noted above. The General Fund deficit appears to be decreasing, however, there is no current financial data available to make any further assumptions. The only financial data available is the Township cash balance as appears on the bank statement at May 30, 2003 in the amount of \$58,820.62. The Township could be facing a fiscal watch/fiscal emergency condition in fiscal year 2003. Furthermore as described in Note 8, the Township is deficient on Public Employees Retirement System contributions. The PERS has begun to seize the Townships Local Government monies which are General Fund monies. This represents a significant decrease in anticipated General Fund monies for the future.

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**Auditor of State  
Betty Montgomery**

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

Ohio Township  
Gallia County  
14028 Hannan Terrace Road  
Crown City, Ohio 45623

To the Board of Trustees:

We have audited the accompanying financial statements of Ohio Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated July 1, 2003, wherein we noted there was insufficient evidence to support payroll disbursements. Furthermore, we noted that the Township reported a General Fund deficit at December 31, 2001 and 2000. 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 2001-001 through 2001-009. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated July 1, 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. 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 2002-010 through 2002-015.

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, of the reportable conditions described above, we consider item 2002-010 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 management of the Township in a separate letter dated July 1, 2003.

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

July 1, 2003

**OHIO TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 and 2000**

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

**FINDING NUMBER 2000-001**

**Noncompliance Citation**

Provisions of the Ohio Revised Code address circumstances in which a public official or employee is prohibited from using the authority or influence of his office or employment to secure anything of value that substantially and improperly influences the official or employee in the exercise of his duties, and from having an interest in a public contract.

Ohio Rev. Code Section 102.03 (D) provides that no public official or employee shall use or authorize the use of the authority or influence of his office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Ohio Rev. Code Section 2921.42 (A)(1) states that no public official shall knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

Ohio Rev. Code Section 2921.42 (A)(4) states that no public official knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected.

The Township utilized the services an employee who was the brother of one Trustee and uncle of another Trustee. The Township paid this individual a net payroll amount of \$7,640.46. Gross pay amounts for this individual could not be determined due to the lack of appropriate timecards and payroll ledgers. We did note that both of the Trustees related to this employee signed the checks to this individual. The condition of the minute records did not note any formal hiring approval or indicate any abstentions from voting.

Employing relatives of Trustees could result in questions regarding the appropriate approval of purchases of the Township as well as whether members of the Board of Trustees are asserting their influence and authority to benefit himself or a family member. The Township should consult with its appropriate legal counsel to determine if this is a conflict of interest.

We recommend the Township develop a formal policy regarding related party transactions to govern transactions in which members of the Board of Trustees may have a personal interest. This policy may include Board members abstaining from voting on related party items, advertising contracts for bid, etc. We further recommend that members of the Board refrain from voting on anything that is family related.

**OHIO TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 and 2000  
(Continued)**

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

**FINDING NUMBER 2001-002 (Continued)**

**Noncompliance Citation**

Ohio Rev. Code Section 145.48(A) states that each employer shall pay to the public retirement system an amount that shall be a certain percent of the earnable salary of all contributions to be known as the "employer contribution," except that the public employer retirement board may raise the employer contribution to a rate not to exceed fourteen percent of the earnable salaries of all contributors.

The Township ceased making PERS payments approximately February 2001. We also could not determine if the proper amount of PERS withholdings were being sent since the Clerk did not maintain proper withholding forms and a payroll ledger. The Public Employees Retirement System has begun to seize the Townships Local Government monies, effective September 20, 2002, as they come to the Gallia County Auditor. Their seizures are based on estimates of underpayment based on historical data.

We recommend that the Clerk recreate the payroll ledgers for 2000 and 2001 and determine the proper amount of employee and employer contributions to send to PERS and send those payments immediately. This matter is being referred to the Public Employees Retirement System.

**FINDING NUMBER 2001-003**

**Noncompliance Citation**

Ohio Rev. Code Section 149.351 establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the Records Commissions provided for under Ohio Rev. Code Section 149.38 to Section 149.42

The Clerk disposed of manual records (receipts and disbursements journals), support for receipts, and support for some disbursements after posting unverifiable information from these records to the Uniform Accounting Network system. This was a result of the Township being on a manual accounting system from January 1, 2000 to October 31, 2000 and then posting amounts as lump sums to receipts and disbursements to integrate into the Uniform Accounting Network. After posting amounts to UAN, the Clerk destroyed the manual records. The Board President was able to recreate the majority of this information, and the AOS was able to support the receipts through information obtained through the Gallia County Auditor and the State of Ohio. Disposal of public records could lead to questions as to the accounting treatment used by the Township. We considered this matter in forming our opinion on the financial statements.

We recommend that the Clerk follow Ohio Revised Code guidelines for disposal of records.

**OHIO TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 and 2000  
(Continued)**

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

**FINDING NUMBER 2001-004**

**Noncompliance Citation**

Ohio Rev. Code Section 505.24 states that the Township Trustees shall be paid from the Township's General Fund or from such other Township funds in such proportions as the Board may specify by resolution. The salary resolution must allocate the salary distribution from various funds in the same proportion as the Trustees' service bears to the activities supported by such funds, as determined by the Board.

We noted that it was a common practice for the Clerk to pay the Trustees solely from the Gasoline Tax Fund. We could not verify this from the period of January to October of 2000. Due to the condition of the Clerk's records, a proper disbursements journal documenting expenditures and fund/proportions to charge to had to be recreated. Trustees' payroll was adjusted to reflect a reasonable percentage of duties as it relates to the Gasoline Tax Fund and the General Fund. This contributed to the negative fund balances in the General Fund at December 31, 2000 and December 31, 2001. There was no resolution in effect which indicated that the Trustees' salaries should be paid from any fund other than the General Fund. The Trustees did approve a formal resolution on November 22, 2002 allocating Trustee payroll based on a reasonable percentage of amount performed for each fund, however, this resolution was not retroactive to the beginning of the audit period and would solely relate to salaries paid subsequent to November 22, 2002.

Adjustments of \$43,538 noted were made under audit for proper allocation of Trustees' payroll to the proper funds.

**FINDING NUMBER 2001-005**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Clerk did not maintain an adequate disbursements journal for much of the audit period and a proper disbursements journal allocating expenditures to the proper funds had to be recreated. After allocation of expenditures to the proper funds and comparison to appropriations expenditures exceeded appropriations in the General Fund at December 31, 2000 in the amount of \$20,100 or 49% and at December 31, 2001 in the amount of \$4,446 or 15%.

We recommend that the Township monitor appropriations versus expenditures and not expend money unless it has been lawfully appropriated.

**OHIO TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 and 2000  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDIND NUMBER 2001-006**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(C) states that no subdivision is to expend money except by a proper warrant drawn against an appropriate fund.

For much of the audit period we could not verify what fund/function/object code the Clerk posted her disbursements due to a lack of documentation. This was in part due to the Clerk being unfamiliar with the Uniform Accounting Network (UAN) System and not maintaining disbursements journals prior to her initial use of the UAN system.

We recommend that the Clerk properly maintain disbursements journals to document what fund/function/object code expenditures are being charged against.

**FINDING NUMBER 2001-007**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same 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. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
  
- B. Amounts of less than \$1,000, which was increased to \$3,000 on April 7, 2003, for political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

One hundred percent of expenditures were not certified prior to the purchase commitment being made. By not certifying funds prior to a purchase commitment, this may cause the Township to obligate money it does not have.

We recommend the Township certify funds prior to an obligation being incurred.

**OHIO TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 and 2000  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2001-008**

**Noncompliance Citation**

Internal Revenue Code (IRC) Chapter 26 [26 U.S.C.] §3402 and §3403 provide that the Clerk calculate, withhold, and remit certain portions of gross pay from employees compensation and report and pay that amount to the Internal Revenue Service.

The Clerk did not pay Federal Income Tax withholdings for any part of 2001, some payments were made in 2000, but due to the lack of payroll records these amounts could not be audited. Due to the conditions of the Clerks records we could not determine the underpayment of any part of 2001 or the underpayment/overpayment for any part of 2000. This was a result of the Clerk not maintaining proper records to document employee pay and deductions.

We recommend that the Clerk maintain proper payroll records to calculate deductions and pay withholdings of income tax to the appropriate authority when due. This matter will be referred to the Internal Revenue Service.

**FINDING NUMBER 2001-009**

**Noncompliance Citation**

Ohio Admin. Code Section 5703-7-06 requires that for purposes of withholding the Ohio personal income tax, as required by Ohio Rev. Code Section 5747.06, Ohio employers and employees shall utilize Ohio Forms IT-4. The number of personal exemptions to which an employee is entitled will be determined only from a properly completed IT-4, and if such form is not properly completed and filed with the employer, the employer will withhold the Ohio personal income tax without exemptions.

There were no IT-4 forms presented for audit for the Township officials or employees. Income tax was withheld for 2000, but we could not determine if the proper amount was remitted due to the lack of supporting payroll records. Income tax appeared to be withheld for 2001, but we did not note any of the payments for income tax withholdings. This was in part due to the Clerk not maintaining adequate payroll ledgers. This matter will be referred to the Ohio Department of Taxation.

We recommend the Clerk obtain IT-4 forms for all Township officials.

**FINDING NUMBER 2001-010**

**Material Weakness**

Bank reconciliations should be prepared monthly when the Township receives the financial institution's cut off bank statement. The reconciliations should be completed to ensure accurate fund balances and review of any discrepancies between the Township's records and the financial institution's records. Bank reconciliations should include documentation of how the system balance agrees to the bank balance. The Clerk should document the bank balance and should deduct outstanding checks (these are checks which have not cleared) and add in deposits-in-transit (these are deposits which were received and posted, but have not cleared). The Clerk should also adjust based upon interest earned, bank errors, or other reconciling items. These reconciliations should be completed monthly in a timely manner to identify any discrepancies and to aid in properly accounting for the Township's activity.

**OHIO TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 and 2000  
(Continued)**

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

**FINDING NUMBER 2001-010 (Continued)**

**Material Weakness (Continued)**

The Township did not prepare bank reconciliations from February to September 2000 and the remaining bank reconciliations were inaccurate and incomplete. The bank reconciliations that were attempted contained numerous adjusting factors which were not fully documented and were determined to be "plug" numbers to get the Township in balance. The Auditor of State reconciled the Township for the audit period, however, the reconciliation process was difficult due to the destruction of records and the lack of support for much of the audit periods activity. Not properly completing bank reconciliations could result in questions of the Township's fund balances and ultimately to overspending.

We recommend that the Clerk take more care in completing the Township's bank reconciliations. We further recommend that the Clerk complete the reconciliations monthly when the bank statement is received.

**FINDING NUMBER 2001-011**

**Reportable Condition**

The Clerk should maintain supporting documentation for any and all expenditures. This is easily completed by attaching invoices or other relevant information to the carbon of the check issued.

At the beginning of the engagement we noted that undocumented expenditures (i.e expenditures with no invoices) totaled \$9,513 in 2000 and \$13,373 in 2001. The Clerk could not provide support for these expenditures. The Board President contacted each vendor subsequent to the issuance of a 90 day unauditible letter and obtained copies of the original invoice from the vendor. A final review subsequent to documentation provided by the Board President noted that we could not support disbursements during 2000 in the amount of \$349 and during 2001 in the amount of \$135. A review of the canceled checks indicated that these checks do appear to be for a proper public purpose. This discrepancy was due in large part to the Clerk not attaching information together and lumping information in an unorganized file. This information had to be obtained by the Board President with inquiries to the vendor subsequent to the 90 day unauditible letter issued when reasonably it should have been maintained by the Clerk and presented for audit.

We recommend that the Clerk attach support for any and all expenditures the Township makes.

**FINDING NUMBER 2001-012**

**Reportable Condition**

Elected official compensation should be based on the Township's Official Certificate of Estimated Resources. The compensation should be properly adjusted to another scale (when applicable) for each subsequent amendment to the Certificate of Estimated Resources.



**OHIO TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 and 2000  
(Continued)**

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

**FINDING NUMBER 2001-012 (Continued)**

**Reportable Condition (Continued)**

We noted in 2000 that the Trustees approved to use the pay scale of \$103,000 for compensation. A review of the Certificate of Estimated Resources Filed on April 5, 2000 noted the Township compensation level was at the \$100,000 to \$250,000 level. A review of the Certificate of Estimated Resources for 2001 noted that the Township was at the \$100,000 to \$250,000 level in 2001 as well. The Clerk did not maintain adequate payroll records and no support was maintained other than net payroll checks issued to employees. We were unable to calculate the amount of gross pay to compare to estimated pay per the Ohio Revised Code to make a determination if the Township's officials were overpaid for the audit period based on the compensation level of the Certificate of Estimated Resources.

We recommend that the Trustees and Clerk utilize a properly executed Certificate of Estimated Resources to determine the proper level of compensation for elected officials. We further recommend that the Clerk maintain all payroll related items and ledgers and present that information for audit to help support the elected officials' compensation.

**FINDING NUMBER 2001-013**

**Reportable Condition**

We noted that the Township has a deficient payroll process as follows:

The Trustees approved approximately \$11,000 in back pay for the current and past Clerks and Trustees. It was communicated to the Trustees in the prior audit that they ensure that adequate funds were available prior to making any such payments.

The Clerk did not adequately reconcile the Township's records and did not adequately prepare budgetary information therefore the Trustees approved the back pay without proper knowledge of the Township's financial condition. Furthermore, the Clerk did not, in all instances, document which pays were for current and which were for back pay. This resulted in being unable to verify the amount of back pay issued to past elected officials and if it corresponded to their previous years underpayments.

We recommend that when the Township identifies that elected officials have been under compensated they make the most informed decision prior to making any such payments to ensure that adequate funds are available and/or are in the process of collection.

Secondly, each hourly employee of the Township should complete a timecard each pay period. These timecards should contain, but is not limited to the following information: Date of work, description of work performed, hours worked that day, total hours worked for the pay period. The timecard should then be approved by the appropriate supervisor.

A review of the Clerk's records noted that the only timecards on file were for the May 2000 payroll. We requested these timecards from the Clerk; however, she was unable to provide them for audit and it was noted in prior years that timecard use is a common practice of the Township.

**OHIO TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 and 2000  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2001-013 (Continued)**

**Reportable Condition (Continued)**

This resulted in being unable to support that employees worked the hours for which they were paid.

We recommend that the Township maintain timecards for each of its hourly employees documenting the information stated above and approved in signature by the proper supervisor.

Lastly, payroll ledgers should be maintained by the Township. These records should contain, but are not limited to the following information: Gross Pay, Federal Tax withholding amounts, State Tax withholding amounts, PERS withholding amount (or Social Security if applicable), and any other deductions. The Gross Pay less all deductions should equal the net pay which should then agree to the paycheck issued to the Township official or employee. The ledger should also document what account code the positing of the disbursement is to be charged to.

A review of the Township's records noted that the Clerk did not maintain adequate payroll ledgers for the audit period to support net payroll issued to employees and elected officials. This information was requested of the Clerk; however, she was unable to provide us with these ledgers.

We recommend that the Clerk maintain a payroll ledger by pay period including the information mention above and present the information for audit upon request.

**FINDING NUMBER 2001-014**

**Reportable Condition**

A review of the Clerk's records and the Uniform Accounting Network (UAN) system noted that the Clerk did not maintain a disbursements journal for the period of January 1, 2000 to October 2000 and October 2001 to December 2001. For the period in 2001, the disbursements journal was maintained, but it contained incorrect information due to the Clerk's errors in inputting this information. The Clerk did post information for the period of January 1, 2000 to October 31, 2000 into the system, but this information was posted as a "Conversion" with a lump sum in each line item and fund. The Clerk did not maintain support for where these "Conversion" amounts were obtained from or the justification for the postings. The Clerk issues all checks manually and attempts to post the information to the system, however, information posted did not match actual disbursements. Furthermore, the Clerk has indicated she is still having problems using the UAN system as of the date of our report and continues to bypass the controls in the system and perform accounting functions manually. Additionally, no manual ledgers are maintained by the Clerk to assist in monitoring this information.

The Clerk should maintain a disbursements journal for the audit period. This journal should contain, but is not limited to the following: A listing by month of checks numbers, check dates, payees, account code charged, description of the disbursement, purchase order number, and purchase order date.

We recommend that the Clerk utilize the UAN system to issue all checks and maintain a monthly disbursements journal which would assist in providing management information and the reconciliation process.

**OHIO TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 and 2000  
(Continued)**

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

**FINDING NUMBER 2001-015**

**Reportable Condition**

A review of the Clerk's supporting documentation for receipts indicated that the only support for much of the Township's receipts was the bank deposit appearing on the bank statement. Although we did perform a proof of cash, initially we could not verify what proper fund and line item the revenue should have been posted to. This was due to the Clerk not maintaining support for the Township's receipts and the Clerk posting lump sum receipt items to the system from the manual records with no support or justification of the postings. The Auditor of State was engaged by the Township to determine the proper fund and line item to post receipts to. We obtained confirmations from the County Auditor and State of Ohio of monies sent to the Township. We then matched these to the bank deposits that appeared on the bank statement. This process resulted in the Auditor of State confirming that 100% of monies from the County Auditor and State of Ohio were deposited into the Township's account. This further resulted in having a reasonable basis to determine the proper fund and line item the monies should have been posted to when the only support the Clerk could provide was deposits that appeared on the bank statement.

The Clerk is required to post information into the accounting system when revenue is received. The Clerk should attach support for the receipt to this information. Posting of revenue should go to the proper fund in which the money is received and should be posted and deposited in a timely and efficient manner. Posting from the Gallia County Auditor's Office should follow the support the Gallia County Auditor sends such as the Semi Annual Statement of Apportionment of Taxes, and appropriate adjustments should be made to post the proper receipts at gross as well as the corresponding deductions.

We recommend that the Clerk maintain supporting documentation for revenue and post revenue to the proper funds and line items based on this support. We further recommend that the Clerk attach support for each receipt entered on the system.

**OHIO TOWNSHIP  
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR END DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
1999-40727-001	Ohio Revised Code Section 5705.41 (B) states that no subdivision is to expend money unless it has been appropriated	No	Not corrected. Reissued as 2001-005
1999-40727-002	Ohio Revised Code Section 5705.41(D) requires the Clerk to properly encumber expenditures prior to the purchase commitment being made.	No	Not corrected. Reissued as 2001-007



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**OHIO TOWNSHIP**

**GALLIA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 28, 2003**