



**Auditor of State
Betty Montgomery**

VALLEY TOWNSHIP
GUERNSEY COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Valley Township
Guernsey County
55365 Marietta Road
Pleasant City, Ohio 43772

To the Board of Trustees:

We have audited the accompanying financial statements of Valley Township, Guernsey 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 Valley Township, Guernsey 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 October 20, 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 Section 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".

Betty Montgomery
Auditor of State

October 20, 2004

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**VALLEY TOWNSHIP
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<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:					
Local Taxes	\$15,765	\$49,345	\$3,930	\$	\$69,040
Intergovernmental	21,527	80,454	3,930	15,200	121,111
Licenses, Permits, and Fees		7,150			7,150
Earnings on Investments	296	591			887
Other Revenue	1,457	95			1,552
	<u>39,045</u>	<u>137,635</u>	<u>7,860</u>	<u>15,200</u>	<u>199,740</u>
Cash Disbursements:					
Current:					
General Government	37,301				37,301
Public Safety		10,185			10,185
Public Works		106,175			106,175
Health		16,272			16,272
Supplies and Materials		6,702		15,200	21,902
Debt Service:					
Redemption of Principal			7,422		7,422
Interest and Fiscal Charges			1,135		1,135
	<u>37,301</u>	<u>139,334</u>	<u>8,557</u>	<u>15,200</u>	<u>200,392</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,744</u>	<u>(1,699)</u>	<u>(697)</u>	<u>0</u>	<u>(652)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		2,275			2,275
Transfers-Out		(2,275)			(2,275)
Other Financing Sources		1,200			1,200
	<u>0</u>	<u>1,200</u>	<u>0</u>	<u>0</u>	<u>1,200</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,744	(499)	(697)	0	548
Fund Cash Balances, January 1	36,374	130,474	8,875	0	175,723
Fund Cash Balances, December 31	<u>\$38,118</u>	<u>\$129,975</u>	<u>\$8,178</u>	<u>\$0</u>	<u>\$176,271</u>

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

**VALLEY TOWNSHIP
GUERNSEY 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**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Project	Nonexpendable Trust	
Cash Receipts:						
Local Taxes	\$15,540	\$47,984	\$4,467	\$	\$	67,991
Intergovernmental	21,756	73,723	4,467	9,464		109,410
Licenses, Permits, and Fees		7,825				7,825
Earnings on Investments	1,231	2,463			7	3,701
Other Revenue	2,434	1,376				3,810
Total Cash Receipts	40,961	133,371	8,934	9,464	7	192,737
Cash Disbursements:						
Current:						
General Government	35,788					35,788
Public Safety		9,926				9,926
Public Works		102,659				102,659
Health		16,154				16,154
Supplies and Materials	500			9,464		9,964
Debt Service:						
Redemption of Principal			7,800			7,800
Interest and Fiscal Charges			1,134		30	1,164
Total Cash Disbursements	36,288	128,739	8,934	9,464	30	183,455
Total Cash Receipts Over/(Under) Cash Disbursements	4,673	4,632	0	0	(23)	9,282
Other Financing Receipts/(Disbursements):						
Transfers-In		563				563
Transfers-Out					(563)	(563)
Other Financing Sources		2,750				2,750
Total Other Financing Receipts/(Disbursements)	0	3,313	0	0	(563)	2,750
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,673	7,945	0	0	(586)	12,032
Fund Cash Balances, January 1	31,701	122,529	8,875		586	163,691
Fund Cash Balances, December 31	\$36,374	\$130,474	\$8,875	\$0	\$0	\$175,723

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

**VALLEY TOWNSHIP
GUERNSEY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Valley Township, Guernsey 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 and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with the Pleasant City Volunteer Fire Department to provide fire 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. 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:

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

3. Debt Service Fund

The Debt Service Fund is used to accumulate resources for payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

**VALLEY TOWNSHIP
GUERNSEY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Debt Service Fund (Continued)

General Bond (Note) Retirement Fund – This fund receives property tax money to retire the principal and interest due on notes.

4. Capital Project Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Issue II Fund – This fund accounts for money received from Guernsey County for the repair of Township Roads.

5. Fiduciary Funds (Trust Funds)

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

Crow Trust Fund – This fund maintains the trust corpus and receives the interest income earned. The income is used for maintenance of the cemetery.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or 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.

**VALLEY TOWNSHIP
GUERNSEY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not use the encumbrance method of accounting.

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.

F. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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:

	2003	2002
Demand deposits	\$176,271	\$175,723

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,397	\$39,045	\$5,648
Special Revenue	127,928	141,110	13,182
Debt Service	7,860	7,860	0
Capital Projects		15,200	15,200
Total	\$169,185	\$203,215	\$34,030

**VALLEY TOWNSHIP
GUERNSEY COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,367	\$37,301	\$34,066
Special Revenue	254,780	141,609	113,171
Debt Service	16,734	8,557	8,177
Capital Projects	15,200	15,200	0
Total	<u>\$358,081</u>	<u>\$202,667</u>	<u>\$155,414</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,351	\$40,961	\$2,610
Special Revenue	125,148	136,684	11,536
Debt Service	8,934	8,934	0
Capital Projects	9,464	9,464	0
Nonexpendable Trust	8	7	(1)
Total	<u>\$181,905</u>	<u>\$196,050</u>	<u>\$14,145</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$70,051	\$36,288	\$33,763
Special Revenue	246,724	128,739	117,985
Debt Service	17,810	8,934	8,876
Capital Projects	9,464	9,464	0
Nonexpendable Trust	595	593	2
Total	<u>\$344,644</u>	<u>\$184,018</u>	<u>\$160,626</u>

Contrary to Ohio law, the Township failed to obtain the Township Clerk's certification before incurring obligations during 2003.

4. PROPERTY TAX

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

**VALLEY TOWNSHIP
GUERNSEY COUNTY**

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

4. PROPERTY TAX (Continued)

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, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Equipment Acquisition Notes	<u>\$7,800</u>	4.85%

The notes were issued in 1999 to finance the purchase of a back hoe.

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

	<u>Equipment Acquisition Notes</u>
Year ending December 31: 2004	<u>\$8,178</u>

6. RETIREMENT SYSTEM

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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 OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries through December 31, 2003. The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio 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.

**VALLEY TOWNSHIP
GUERNSEY COUNTY**

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

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

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:

<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***

Valley Township
Guernsey County
55365 Marietta Road
Pleasant City, Ohio 43772

To the Board of Trustees:

We have audited the accompanying financial statements of Valley Township, Guernsey County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 20, 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express 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 2003-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated October 20, 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 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. A reportable condition is described in the accompanying Schedule of Findings as item 2003-005.

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. We consider 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 management of the Township in a separate letter dated October 20, 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.

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

Betty Montgomery
Auditor of State

October 20, 2004

**VALLEY TOWNSHIP
GUERNSEY COUNTY**

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

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

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. 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 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from 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. Fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal 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, the \$5,000 limit on the issuance of blanket certificates and the requirement that blanket certificates not extend beyond three months have been removed from the law. Effective September 26, 2003, blanket certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, 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 100 percent of the transactions we tested in 2003 and 2002. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**VALLEY TOWNSHIP
GUERNSEY 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)**

**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 Township Clerk certify that funds are or will be available prior to obligation 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 the 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 orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 5747.06 (A) states, in part, except as provided in division (E)(3) of this section, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter of the Ohio Revised Code with respect to the amount of such compensation included in the employee's adjusted gross income during the calendar year. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation to the benefit of, the employee. The method of determining the amount to be withheld shall be prescribed by rule of the Tax Commissioner.

Ohio Rev. Code Section 5747.06 (C) states, in part, the failure of an employer to withhold tax as required by this section does not relieve an employee from the liability for the tax.

Ohio Rev. Code Section 5747.13 (A) states, in part, that if any employer collects the tax imposed by Section 5747.02 or under Chapter 5748 of the Revised Code and fails to remit the tax as required by law, or fails to collect the tax, the employer is personally liable for any amount collected that the employer fails to remit, or any amount that the employer fails to collect.

For 2003 and 2002, the Township did not collect state tax on the salary of Trustee Elmer Bright and for Trustee William Coleman. The Township did not provide a current IT-4 form for audit to allow us to determine the amount of underpayment, if any.

**VALLEY TOWNSHIP
GUERNSEY 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)**

FINDING NUMBER 2003-002 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5747.06 (A) (Continued)

We recommend the Township determine if any state taxes are due on the Trustees salaries which were not remitted. If state tax monies are due, the Township should remit the liability to the Treasurer of the State of Ohio along with any penalties and interest. If this matter is not corrected, it will be referred to the appropriate agency for whatever action is deemed necessary.

FINDING NUMBER 2003-003

Noncompliance Citation

26 U.S.C. Section 3402 requires that every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary of the Treasury. The employer is required to submit the employees' withholdings to the Internal Revenue Service either monthly or quarterly, depending upon the monthly gross wages.

The quarterly amount of withholdings per the payroll register and the quarterly amount remitted for taxes to the federal government were not in agreement. No evidence was presented that the Township filed IRS Form 941 with their quarterly payment. In addition, the Township failed to withhold federal taxes from the wages of Trustee, Elmer Bright. The Township did not provide a W-4 form for us to determine, the amount, if any, of federal withholding liability.

We recommend the Township properly calculate federal tax withholdings for all employees. Copies of the IRS Form 941 should be kept on file. The Township should ensure that each employee has current W-4 forms on file with the Township. If this matter is not corrected, it will be referred to the appropriate agency for whatever action is deemed necessary.

FINDING NUMBER 2003-004

Noncompliance Citation

Ohio Rev. Code Section 145.47 requires, in part, each public employee who is a contributor to the public employees retirement system shall contribute eight and one-half percent of the contributor's earnable salary to the employees' savings fund. The fiscal officer of each local authority subject to this chapter shall deduct from the earnable salary of each contributor on every payroll of such contributor for each payroll period subsequent to the date of coverage, an amount equal to the applicable percent of the contributor's earnable salary. A penalty of five percent of the total amount due for the particular reporting period shall be added when such report, together with warrants or checks to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period. Such penalty shall be added to and collected on the next succeeding regular employer billing.

**VALLEY TOWNSHIP
GUERNSEY 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)**

FINDING NUMBER 2003-004 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 145.47 (Continued)

During 2003 and 2002, withholdings were taken from each official's and employee's wages however, these withholdings were not always calculated at the contribution rate of eight and one-half percent. Additionally, the amounts remitted to the public employees retirement system for both the employees' and the employer's share of contributions did not match the amounts withheld in the payroll register. Failure to properly withhold and remit retirement system contributions and the related reports could result in interest and penalties being assessed to the Township.

We recommend the Township withhold public employee retirement system contributions at the required rate and remit these amounts, along with the required reports, within thirty days of the end of each reporting period. If this matter is not corrected, it will be referred to the appropriate agency for whatever action is deemed necessary.

FINDING NUMBER 2003-005

Material Weakness – Receipt Ledger Classifications and Posting

The Township posted several receipts to improper revenue account classifications based on the source of the receipt.

As a result, we required additional audit time and cost to prepare approximately thirty reclassification entries.

We recommend the Township Clerk review guidance within the Uniform Accounting Network Accounting Manual under Township Chart of Accounts. This guidance will allow the Township Clerk to make proper postings to revenue account classifications based on the source of the revenue. The revenue in the financial statements have been reclassified.

**VALLEY TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING
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>
2001-41030-001	Ohio Rev. Code Section 5705.41 (D) – fiscal officer’s certificate	No	Not Corrected; Repeated as Finding number 2003-001.
2001-41030-002	Ohio Rev. Code Section 135.18 – security of deposits	Yes	Finding No Longer Valid.
2001-41030-003	Reportable Condition – Receipt Ledger classification/posting	No	Not Corrected; Repeated as Finding number 2003-005.



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VALLEY TOWNSHIP

GUERNSEY 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
DECEMBER 7, 2004**