
DARBY TOWNSHIP
MADISON COUNTY

REGULAR AUDIT

YEARS ENDED DECEMBER 31, 2006 & 2005

Whited Seigneur Sams & Rahe, LLP
CERTIFIED PUBLIC ACCOUNTANTS



213 South Paint Street • Chillicothe, Ohio 45601-3828
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Mary Taylor, CPA

Auditor of State

Board of Trustees
Darby Township
PO Box 131
Plain City, Ohio 43064-1278

We have reviewed the *Independent Auditors' Report* of Darby Township, Madison County, prepared by Whited Seigneur Sams & Rahe LLP, for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Darby Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 27, 2007

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**DARBY TOWNSHIP
MADISON COUNTY, OHIO**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005	4
Notes to the Financial Statements	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	9
Schedule of Findings and Responses	11

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Whited Seigneur Sams & Rahe, LLP

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June 11, 2007

Board of Trustees, Darby Township
Madison County
PO Box 131
Plain City, OH 43064

Independent Auditors' Report

We have audited the accompanying financial statements of Darby Township, Madison County, Ohio (the Township) as of and for the years ended December 31, 2006 and 2005. 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 described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of the State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Instead of the combined funds the accompanying financial statements present for 2006 and 2005, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly for the years ended December 31, 2006 and 2005, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2007, 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 grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP



**DARBY TOWNSHIP
MADISON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Special Revenue</u>	<u>Memorandum Only Total</u>
CASH RECEIPTS			
Local Taxes	\$ 60,903	\$ 74,084	\$ 134,987
Intergovernmental Receipts	49,460	100,773	150,233
Charges for Services	0	35,272	35,272
Earnings on Investments	8,770	4,955	13,725
Other Revenue	<u>361</u>	<u>837</u>	<u>1,198</u>
TOTAL CASH RECEIPTS	119,494	215,921	335,415
CASH DISBURSEMENTS			
General Government	102,500	37,889	140,389
Public Works	0	70,518	70,518
Health	0	57,915	57,915
Capital Outlay	<u>0</u>	<u>19,968</u>	<u>19,968</u>
TOTAL CASH DISBURSEMENTS	<u>102,500</u>	<u>186,290</u>	<u>288,790</u>
TOTAL CASH RECEIPTS OVER/ (UNDER) CASH DISBURSEMENTS	16,994	29,631	46,625
OTHER FINANCING RECEIPTS/(DISBURSEMENTS)			
Sale of Assets	<u>700</u>	<u>0</u>	<u>700</u>
TOTAL OTHER FINANCING RECEIPTS/ (DISBURSEMENTS)	<u>700</u>	<u>0</u>	<u>700</u>
EXCESS OF CASH RECEIPTS AND OTHER FINANCING RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS AND OTHER FINANCING DISBURSEMENTS	17,694	29,631	47,325
Fund Cash Balances, January 1, 2006	<u>133,657</u>	<u>188,054</u>	<u>321,711</u>
Fund Cash Balances, December 31, 2006	<u>\$ 151,351</u>	<u>\$ 217,685</u>	<u>\$ 369,036</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**DARBY TOWNSHIP
MADISON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Memorandum
Only**

CASH RECEIPTS	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Local Taxes	\$ 51,803	\$ 68,003	\$ 119,806
Intergovernmental Receipts	30,300	94,197	124,497
Charges for Services	0	32,205	32,205
Earnings on Investments	5,649	3,232	8,881
Other Revenue	<u>428</u>	<u>121</u>	<u>549</u>
TOTAL CASH RECEIPTS	88,180	197,758	285,938
CASH DISBURSEMENTS			
General Government	72,150	29,816	101,966
Public Works	0	42,226	42,226
Health	0	63,315	63,315
Capital Outlay	<u>0</u>	<u>44,128</u>	<u>44,128</u>
TOTAL CASH DISBURSEMENTS	<u>72,150</u>	<u>179,485</u>	<u>251,635</u>
TOTAL CASH RECEIPTS OVER/ (UNDER) CASH DISBURSEMENTS	16,030	18,273	34,303
OTHER FINANCING RECEIPTS/(DISBURSEMENTS)			
Sale of Assets	<u>0</u>	<u>1,778</u>	<u>1,778</u>
TOTAL OTHER FINANCING RECEIPTS/ (DISBURSEMENTS)	<u>0</u>	<u>1,778</u>	<u>1,778</u>
EXCESS OF CASH RECEIPTS AND OTHER FINANCING RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS AND OTHER FINANCING DISBURSEMENTS	16,030	20,051	36,081
Fund Cash Balances, January 1, 2005	<u>117,627</u>	<u>168,003</u>	<u>285,630</u>
Fund Cash Balances, December 31, 2005	<u>\$ 133,657</u>	<u>\$ 188,054</u>	<u>\$ 321,711</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**DARBY TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Description of the Entity**

Darby Township, Madison 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, road and bridge maintenance and cemetery operations and maintenance.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

- **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.

- **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:

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

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

Cemetery Fund - This fund receives property tax money, fees from burial services and sale of cemetery lots for the operation and maintenance of the Township cemetery.

**DARBY TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Budgetary Process**

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

- **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. Appropriations lapse at year-end.
- **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.
- **Encumbrances** - The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are cancelled and re-appropriated in the subsequent year.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

- **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 AND INVESTMENTS

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

	2006	2005
Demand Deposits	\$ 369,036	\$ 321,711

Deposits

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

**DARBY TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and December 31, 2005, were as follows:

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 75,349	\$ 120,194	\$ 44,845
Special Revenue	<u>158,281</u>	<u>215,921</u>	<u>57,640</u>
Total	<u>\$ 233,630</u>	<u>\$ 336,115</u>	<u>\$ 102,485</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 161,344	\$ 102,500	\$ 58,844
Special Revenue	<u>336,472</u>	<u>186,290</u>	<u>150,182</u>
Total	<u>\$ 497,816</u>	<u>\$ 288,790</u>	<u>\$ 209,026</u>

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 62,518	\$ 88,180	\$ 25,662
Special Revenue	<u>157,378</u>	<u>199,536</u>	<u>42,158</u>
Total	<u>\$ 219,896</u>	<u>\$ 287,716</u>	<u>\$ 67,820</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 163,989	\$ 72,150	\$ 91,839
Special Revenue	<u>313,101</u>	<u>179,485</u>	<u>133,616</u>
Total	<u>\$ 477,090</u>	<u>\$ 251,635</u>	<u>\$ 225,455</u>

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 payments, the first half is due December 31. The second half payment is due the following June 20.

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

**DARBY TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

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.

Public utilities are also assessed on personal and real property located within the Township.

5. RETIREMENT SYSTEMS

The Township 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 post-retirement 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. PERS members contributed 9.0% and 8.5% of their gross salaries for the years ended December 31, 2006 and 2005, respectively. The Township contributed an amount equal to 13.7% and 13.55% of participants' gross salaries for the years ended December 31, 2006 and 2005, respectively. The Township has paid all contributions required through December 31, 2006.

6. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and Omissions

The Township also provides health insurance coverage to the elected officials and full-time employees through a private carrier.

7. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed cost 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.

Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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June 11, 2007

Board of Trustees, Darby Township
Madison County
PO Box 131
Plain City, OH 43064

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited the accompanying financial statements of Darby Township, Madison County, Ohio (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 11, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permitted rather than accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2006-001 and 2006-002.

We noted certain matters that we reported to management of the Township in a separate letter dated June 11, 2007.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Township's responses and, accordingly, we express no opinion on it.

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

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP



**DARBY TOWNSHIP
MADISON COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

FINDING NUMBER 2006-001

Ohio Rev. Code Section 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

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.

Amounts of less than \$100 for counties, or less than \$3,000 for other 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 requirements for approval of expenditures by the taxing authority.

20% of transactions tested (12 out of 60) during the audit period were not in compliance with properly certifying funds prior to goods received and/or services provided.

We recommend the Township properly certify expenditures. Blanket certificates can be issued for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the Board of Trustees against any specific line item appropriation account over a period not running beyond the end of the current fiscal year. A regular purchase order should be issued for larger and/or one time purchases. Whether a purchase order or blanket certificate is used, it should be certified before the actual purchases are made. A "Then and Now" certificate can be used for those purchases not receiving prior certification.

Auditee's Response:

The Township began utilizing more blanket purchase orders in 2007.

**DARBY TOWNSHIP
MADISON COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES (Continued)
DECEMBER 31, 2006 AND 2005**

FINDING NUMBER 2006-002

Ohio Rev. Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day following the date of the receipt.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the first business day following the date of receipt.

Seven out of twenty-four deposits were found not to be in compliance with ORC 9.38, this is a 29% non compliance rate.

The Township should either ensure that receipts are remitted to the Township Clerk or the bank the business day following collection or pass a resolution to allow the clerk to hold deposits under \$1,000 for up to three days.

Auditee's Response:

Duplicate receipt dates will be dated with the physical date of receipt by the Township as opposed to the date the check was written by the County Auditor or individual, for example.



Mary Taylor, CPA
Auditor of State

DARBY TOWNSHIP

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 10, 2007**