



**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances –Fiduciary Fund Types – For the Year Ended December 31, 1999	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1998	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Fiduciary Fund Types – For the Year Ended December 31, 1998	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15

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REPORT OF INDEPENDENT ACCOUNTANTS

Ashtabula Township
Ashtabula County
2718 North Ridge Road East
Ashtabula, Ohio 44004

To the Board of Trustees:

We have audited the accompanying financial statements of Ashtabula Township, Ashtabula County, Ohio, (the Township) as of and for the years ended December 31, 1999 and December 31, 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 and reserve for encumbrances of the Township as of December 31, 1999 and 1998, 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 March 14, 2001 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an 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 and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 14, 2001

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**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
Cash Receipts:				
Local Taxes	\$75,629	\$2,103,684		\$2,179,313
Intergovernmental	238,265	199,248	\$62,138	499,651
Fines and Forfeitures	35			35
Charges for Services		8,677		8,677
Licenses, Permits, and Fees	8,590	47,176		55,766
Special Assessments		36,639		36,639
Earnings on Investments	23,343	586		23,929
Other Revenue	33,875	97,137		131,012
Total Cash Receipts	<u>379,737</u>	<u>2,493,147</u>	<u>62,138</u>	<u>2,935,022</u>
Cash Disbursements:				
Current:				
General Government	210,396			210,396
Public Safety		1,465,321		1,465,321
Public Works	27,817	582,955	62,138	672,910
Health	87,950	260,940		348,890
Conservation - Recreation	1,963			1,963
Capital Outlay	60,662	212,312		272,974
Total Cash Disbursements	<u>388,788</u>	<u>2,521,528</u>	<u>62,138</u>	<u>2,972,454</u>
Total Receipts Over/(Under) Disbursements	<u>(9,051)</u>	<u>(28,381)</u>		<u>(37,432)</u>
Other Financing Receipts/(Disbursements):				
Advances-In	25,900	25,900		51,800
Advances-Out	(25,900)	(25,900)		(51,800)
Other Sources		21,650		21,650
Total Other Financing Receipts/(Disbursements)		<u>21,650</u>		<u>21,650</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(9,051)</u>	<u>(6,731)</u>		<u>(15,782)</u>
Fund Cash Balances, January 1	<u>535,254</u>	<u>954,512</u>		<u>1,489,766</u>
Fund Cash Balances, December 31	<u><u>\$526,203</u></u>	<u><u>\$947,781</u></u>		<u><u>\$1,473,984</u></u>

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

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

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

	Fiduciary Fund Types
	Nonexpendable Trust
Operating Cash Receipts:	
Earnings on Investment	\$4,895
Total Operating Cash Receipts	4,895
Operating Cash Disbursements:	
Personal Services	696
Total Operating Cash Disbursements	696
Excess of Operating Receipts Over/(Under) Operating Disbursements	4,199
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	382
Total Non-Operating Cash Disbursements	382
Net Receipts Over/(Under) Disbursements	3,817
Fund Cash Balances, January 1	147,664
Fund Cash Balances, December 31	\$151,481

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

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Local Taxes	\$78,041	\$2,214,475	\$2,292,516
Intergovernmental	313,573	194,889	508,462
Fines and Forfeitures	45		45
Charges for Services		5,428	5,428
Licenses, Permits, and Fees	3,380	43,460	46,840
Special Assessments		37,563	37,563
Earnings on Investments	20,675	422	21,097
Other Revenue	209,433	42,309	251,742
	625,147	2,538,546	3,163,693
Cash Disbursements:			
Current:			
General Government	165,389		165,389
Public Safety		1,386,714	1,386,714
Public Works	30,091	555,265	585,356
Health	84,260	254,236	338,496
Conservation - Recreation	1,699		1,699
Capital Outlay	12,219	171,556	183,775
	293,658	2,367,771	2,661,429
Total Receipts Over/(Under) Disbursements	331,489	170,775	502,264
Other Financing Receipts/(Disbursements):			
Advances-In	16,900	13,100	30,000
Advances-Out	(16,900)	(13,100)	(30,000)
Other Financing Sources		23,700	23,700
	0	23,700	23,700
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	331,489	194,475	525,964
Fund Cash Balances, January 1	203,765	760,037	963,802
Fund Cash Balances, December 31	\$535,254	\$954,512	\$1,489,766
Reserve for Encumbrances, December 31	0	\$2,144	\$2,144

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

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

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

	Fiduciary Fund Types
	Nonexpendable Trust
Operating Cash Receipts:	
Earnings on Investment	\$5,089
Total Operating Cash Receipts	5,089
Operating Cash Disbursements:	
Personal Services	696
Total Operating Cash Disbursements	696
Excess of Operating Receipts Over/(Under) Operating Disbursements	4,393
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	375
Total Non-Operating Cash Disbursements	375
Net Receipts Over/(Under) Disbursements	4,018
Fund Cash Balances, January 1 (Restated)	143,646
Fund Cash Balances, December 31	\$147,664

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

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Ashtabula Township, Ashtabula 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 general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Township maintained a general operating account and invested in CD's and passbook savings in conjunction with cemetery bequest funds.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue 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 to pay for constructing, maintaining and repairing Township roads.

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

Fire Levy Fund - This fund's receipts are generated from a restricted Township levy and are only to be utilized to assist in providing the necessary equipment and fire protection for Township residents.

Ambulance Levy Fund - This fund's receipts are generated from a restricted Township levy and are only to be utilized to assist in providing the necessary equipment and emergency medical services for Township residents.

3. Capital Project Funds

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

Issue II Fund - The Township received a grant from the State of Ohio for the Blake Road improvement project.

4. Fiduciary Funds (Trust Funds)

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

Non-expendable Trust Fund - This fund is used to account for cemetery bequests.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$1,473,984	\$1,489,766
Investments	<u>151,481</u>	<u>147,664</u>
Total deposits and investments	<u>\$1,625,465</u>	<u>\$1,637,430</u>

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

Investments: Investments consist of cemetery bequest accounts - some of which have a corresponding CD or a passbook savings account.

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

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

3. BUDGETARY ACTIVITY

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

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$356,900	\$379,737	\$22,837
Special Revenue	2,379,850	2,514,797	134,947
Capital Projects	0	62,138	62,138
Trust	7,000	4,895	(2,105)
Total	\$2,743,750	\$2,961,567	\$217,817

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$422,950	\$388,788	\$34,162
Special Revenue	2,502,300	2,521,528	(19,228)
Capital Projects	0	62,138	(62,138)
Trust	4,000	1,078	2,922
Total	\$2,929,250	\$2,973,532	(\$44,282)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$371,038	\$625,147	\$254,109
Special Revenue	2,461,750	2,562,246	100,496
Trust	7,000	5,089	(1,911)
Total	\$2,839,788	\$3,192,482	\$352,694

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$470,338	\$293,658	\$176,680
Special Revenue	2,721,903	2,367,771	354,132
Trust	4,000	1,071	2,929
Total	\$3,196,241	\$2,662,500	\$533,741

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

In 1999, the General Fund; (Special Revenue Fund Types): Road and Bridge, Gasoline Tax, Permissive Motor Vehicle, Ambulance, Motor Vehicle License, Fire Levy and Cemetery Funds; (Capital Projects Fund Type); OPWC, and in 1998, the General Fund; (Special Revenue Fund Types): Road and Bridge and Fire Levy Funds all had expenditures exceed appropriations, contrary to **Ohio Revised Code § 5705.41 (B)**.

The Township did not properly encumber throughout the years as required by **Ohio Revised Code § 5705.41 (D)**. No material encumbrances were outstanding as of 12/31/98 or 12/31/99.

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.

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. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Township contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for the period under audit, except for the time frame between July 2000 and December 2000, where the rate was 8.13% based on PERS's Temporary Employer Contribution Rate Rollback. The Township has paid all contributions required through December 31, 1999.

Effective July 1, 1991, all employees not otherwise covered by the PERS or the PFDPF have an option to choose Social Security or the PERS or PFDPF. As of June 30, 1999, eight employees of the Township have elected Social Security. The Township's liability is 6.2 percent of wages paid.

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

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

6. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

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

7. RESTATEMENT OF FUND BALANCE

The Township is custodian of various cemetery bequest accounts maintained as a Fiduciary Fund Type - Nonexpendable Trust. Prior interest earned on these accounts were not posted to the records of the Township, which necessitated an adjustment to the January 1, 1998 beginning fund balances as compared to the December 31, 1997 ending fund balance as shown below:

<u>Fund Type/Fund</u>	<u>Previously Stated Balance at 12/31/97</u>	<u>Reclassification</u>	<u>Restated Balance at 1/1/98</u>
Fiduciary Fund: Nonexpendable Trust	\$134,994	\$8,652	\$143,646



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

Ashtabula Township
Ashtabula County
2718 North Ridge Road East
Ashtabula, Ohio 44004

To the Board of Trustees:

We have audited the accompanying financial statements of Ashtabula Township, Ashtabula County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 14, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of 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 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 1999-411040-001 through 1999-411040-006. We also noted certain immaterial instances of noncompliance that we have reported to management of Ashtabula Township in a separate letter dated March 14, 2001.

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 Ashtabula 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 1999-411040-007 through 1999-411040-009.

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 1999-411040-008 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 March 14, 2001.

This report is intended 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.

Jim Petro
Auditor of State

March 14, 2001

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

SCHEDULE OF FINDINGS

FOR THE YEARS ENDED DECEMBER 31, 1999 AND DECEMBER 31, 1998

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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<i>Finding Number</i>	1999-411040-001
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Ohio Administrative Code § 117-3-08, provides that each township is to record each receipt and expenditure of township money in a cash journal. Inclusive of this Rule are the following:

- At the close of each month, all “debit” and “credit” columns shall be totaled and the totals for the month shall be entered. In addition, year-to-date totals shall be entered. The difference between the month’s debits and credits shall be added to or subtracted from the previous month’s balances and the new balances entered in the proper columns.
- The total of all fund balances in the cash journal must reconcile with the cash balance. The total of all fund credits must reconcile with the total cash debit and the total of all fund debits must reconcile with the cash credit.

The Township did not maintain its cash journal as prescribed above as no transactions were posted from June 1998 through April 2000.

<i>Finding Number</i>	1999-411040-002
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Ohio Administrative Code § 117-3-09, provides that each township is to maintain a receipts ledger. Inclusive of this rule are the following:

- The receipts ledger shall contain a separate sheet for each account established.
- Each township shall post to each receipt account the estimated amount of money to be received into the account as specified by the County Budget Commission in its official estimate of balances and the receipts set forth in the certificate of estimated resources. These estimated amounts shall be entered in the “balance” column under the heading “ memorandum.
- When moneys are received, the amount is posted to the proper account in the receipt ledger and shall be entered in the “credit” column and subtracted from the budget estimated amount “balance”. When properly posted this “balance” column will accurately show the amount of moneys still anticipated to be received for the calendar year.
- Appropriate columns shall be totaled and reconciled monthly and yearly.

The Township did not maintain its receipts ledger as prescribed above as no transactions were posted from June 1998 through April 2000.

Finding Number	1999-411040-003
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Ohio Administrative Code § 117-3-11, provides that each township shall maintain an appropriation ledger. Inclusive of this Rule are the following:

- The appropriation ledger shall contain a separate sheet for each account established and shall post to each appropriation account an amount equal to the amount appropriated for that account in the annual appropriation resolution.
- Each expenditure or encumbrance charged against an appropriation shall be posted and subtracted from the appropriated balance producing a declining unencumbered balance. This procedure is to be initiated by an executed purchase order. The name of the vendor or payee as it appears on the purchase order is entered in the “debt” column and also subtracted from the unencumbered balance. When the invoice is received from the vendor or payee and a warrant is written to meet the obligation, the name of the vendor or payee is again entered and the amount of the warrant is entered in the “amount of warrant” column. If the amount encumbered and the amount of the warrant are exactly the same, no other entry is made. However, if the amount entered to the “debit” column (amount encumbered) is different from the amount of the warrant, an adjustment must be made.
- Appropriate columns shall be totaled and reconciled monthly and yearly.

The Township did not maintain its appropriation ledger as prescribed above as no transactions were posted from June 1998 through April 2000.

Finding Number	1999-411040-004
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Ohio Revised Code § 117.38, requires all cash-basis entities must file annual financial reports with the Auditor of State within 60 days of fiscal year end. These reports must be filed on forms prescribed by the Auditor of State. Any public office that does not file the report by the required date shall incur penalty charges for each day the report remains unfiled, not to exceed seven hundred fifty dollars.

Ashtabula Township officials did not file the 1998 and 1999 annual financial reports with the Auditor of State.

Finding Number	1999-411040-005
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Ohio Revised Code § 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated.

Disbursements exceeded appropriations at the legal level of control (line items) throughout the year(s) in the following fund/function/object codes:

1998:

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General			
Administrative			
PERS	\$7,500	\$8,608	(\$1,108)

Finding Number	1999-411040-005 (Continued)
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1998:

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General			
Administrative:			
County Auditor Fees	\$38,000	\$42,680	(\$4,680)
General Health District	74,000	84,259	(10,259)
Liability Ins. Premium	5,000	6,807	(1,807)
Other Expenses	10,000	11,749	(1,749)
Road and Bridge			
Miscellaneous:			
Water and Sewage	400	4,709	(4,309)
Property Ins. Premium	3,500	7,915	(4,415)
Operating Supplies	15,000	54,811	(39,811)
Capital Expenditures:			
Machinery/Equipment	10,000	25,908	(15,908)
Fire Levy			
Personal Services:			
Salaries & Wages	830,000	878,595	(48,595)
Social Security	1,000	5,465	(4,465)
Medi-Care	1,000	4,323	(3,323)
PFDPF	150,000	155,113	(5,113)
Purchased Services:			
Repairs & Maintenance	25,000	34,350	(9,350)
Water & Sewage	1,700	3,711	(2,011)
Supplies and Material:			
Operating Supplies	7,000	29,449	(22,449)
Other:			
Dues & Fees	1,000	14,086	(13,086)

1999:

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General			
Administrative:			
PERS	\$ 7,750	\$ 9,359	(\$1,609)
Contracted Services	12,700	14,575	(1,875)
General Health District	85,000	87,950	(2,950)
Operating Supplies	1,500	2,685	(1,185)
Other Expenses	10,000	29,602	(19,602)
Zoning:			
Comp. Of Bd. Members	3,000	5,220	(2,220)
Salaries	9,500	10,747	(1,247)

Finding Number	1999-411040-005 (Continued)
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1999:

Fund/Function/Object	Appropriations	Expenditures	Variance
Road and Bridge			
Miscellaneous:			
Salaries	\$270,000	\$283,282	(\$13,282)
PERS	36,500	37,672	(1,172)
Medi-Care	500	1,697	(1,197)
Telephone	700	4,556	(3,856)
Other Communications	1,000	3,295	(2,295)
Property Ins. Premium	3,500	7,924	(4,424)
Operating Supplies	15,000	24,777	(9,777)
Other Expenses	2,600	6,300	(3,700)
Capital Expenditures:			
Machinery/Equipment	10,000	12,821	(2,821)

The following funds, unlike the ones mentioned above that had violations at the legal level of control, in 1999 had total expenditures exceed the total appropriations by fund:

Fund	Appropriations	Expenditures	Variance
Fire Levy	\$1,468,800	\$1,572,764	(\$103,964)
Motor Vehicle License	11,500	13,434	(1,934)
Gasoline Tax	48,000	55,988	(7,988)
Cemetery	250,000	260,940	(10,940)
Permissive Motor Vehicle	17,000	22,103	(5,103)
Ambulance Levy	10,000	11,187	(1,187)
OPWC	0	62,138	(62,138)

Finding Number	1999-411040-006
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Ohio Rev. Code § 5705.41(D), states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Township may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

Finding Number	1999-411040-006 (Continued)
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B. If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Board of Trustees.

For 75% of expenditures tested in the audit period, contracts and purchases were committed prior to the certification of available funds by the Clerk, and neither exception listed above was followed. This condition does not provide adequate accountability over the Township's disbursements. Expenditures may be incurred which the Board of Trustees have not authorized or which the Township cannot afford.

Finding Number	1999-411040-007
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Financial reports, including bank reconciliations, investment transactions, advances/advance repayments, and budget vs. actual statements, were not periodically presented to the Board of Trustees (governing body) for approval.

This condition does not provide for proper monitoring of financial activity by the governing body and resulted in the Board being unaware that transactions had not been posted to the books from June 1998 through April 2000. This resulted in the need for the reconstruction of records subsequent to the audit period.

The Board should require that monthly financial reports, including bank reconciliations, summaries of investment transactions, budget vs. Actual reports, etc, be provided to the Board on a monthly basis. The Board should review these documents for significant and unusual items, and follow-up on such items. The Boards review should be evidenced.

Finding Number	1999-411040-008
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The Township's financial records had, as of July 1998 through April 2000, not been reconciled with the Township's depositories. Transactions had not been posted to the cash journal, receipts ledger and appropriation ledger, for the period July 1998 through April 2000. The Township also did not file an annual report for the years under audit, 1998 and 1999.

Without a monthly reconciliation between the books and the banks utilized by the Township, and without maintaining current and accurate accounting ledgers, errors or irregularities could occur and not be corrected on a timely basis.

As a public entity, the Township needs to present a current and accurate account of its financial operations to the constituents of Ashtabula Township. Bank reconciliations should be performed monthly and reviewed by the Board of Trustees. Significant or unusual items in the reconciliation should be investigated and resolved as soon as possible. Postings of financial information should be performed on a current basis.

<i>Finding Number</i>	1999-411040-009
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Cemetery Bequest Accounts

The Township is the administrator of 64 cemetery bequests for the purpose of maintaining cemetery plots of those deceased. The Township has a fiduciary responsibility of honoring the terms of the bequest. Many of the bequests are old in nature and the support documentation on the limitation of use of the funds in the bequests has not been maintained. The activity of the bequest funds also has not been included as part of the monthly bank reconciliations nor has the activity been recorded (interest and expenditures) on the Township's books.

Failure to obtain and maintain original bequest documents and failure to post bequest financial activity to the Township's records, increases the likelihood of noncompliance with the donors restrictions for the said bequests.

In order to improve internal control and the degree of accountability of the bequests, the Township should implement and/or due the following procedures:

1. An attempt should be made to determine the history of the bequests and restrictions on the use of the bequests. The bequests should then be declared as Expendable or Nonexpendable Trust Funds, based on these restrictions. If the history and restrictions can not be determined, the Township should contact its legal representative for an opinion on these accounts that lack such information in order for the Township to properly account for the funds. All related documentation should be maintained on file.
2. All activity, such as interest earned and expenditures made, should be accounted for on the books of the Township under the Trust Fund Types designation. The activity should be posted on a current basis and said fund balances should then be included in the monthly reconciliation performed by the Clerk.
3. The Township maintains most of the bequests in separate passbook savings accounts or certificate of deposits. The consolidation of these into one or two pooled investment instruments would help reduce the paper work and service charges that currently exist. A ledger book for each bequest should be maintained listing the original principal balance, the prorated share of interest earned from the pooled investment based on the percent of principal within the investment, and any expenditure made from the particular bequest.
4. The Township should follow the guidance of Auditor of State Bulletin 98-004 on the proper treatment for certifying Nonexpendable Trust fund balances to the County Auditor at year end. Only interest earnings are considered available for expenditure, so the Township needs to report accumulated unspent interest on the certificate of year-end balances to the County Auditor.
5. The Township should require that all new bequests accepted be evidenced by a written agreement, delineating the terms of the bequest (e.g. expendable or nonexpendable, use restrictions, etc.). All such documentation should be maintained by the Township and filed in an organized manner.



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ASHTABULA TOWNSHIP

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 10, 2001**