



**UPPER TOWNSHIP
LAWRENCE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

UPPER TOWNSHIP
LAWRENCE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Upper Township
Lawrence County
P.O. Box 4126
Ironton, Ohio 45638

To the Board of Trustees:

We have audited the accompanying financial statements of Upper Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999. 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 the 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 presents fairly, in all material respects, the combined fund cash balances of Upper Township, Lawrence County, as of December 31, 2000 and 1999, 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 16, 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 the management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

October 16, 2001

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UPPER TOWNSHIP
LAWRENCE COUNTY

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Local Taxes	\$15,804	\$51,700	\$	\$	\$67,504
Intergovernmental	22,666	64,000		39,800	126,466
Other Revenue	750				750
Total Cash Receipts	<u>39,220</u>	<u>115,700</u>	<u>0</u>	<u>39,800</u>	<u>194,720</u>
Cash Disbursements:					
Current:					
General Government	37,107				37,107
Public Safety	4,978	65,337			70,315
Public Works		35,994			35,994
Debt Service:					
Redemption of Principal		25,785	8,268		34,053
Interest and Fiscal Charges		2,565	1,992		4,557
Capital Outlay	4,770	10,000		39,800	54,570
Total Cash Disbursements	<u>46,855</u>	<u>139,681</u>	<u>10,260</u>	<u>39,800</u>	<u>236,596</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(7,635)</u>	<u>(23,981)</u>	<u>(10,260)</u>	<u>0</u>	<u>(41,876)</u>
Other Financing Receipts/(Disbursements):					
Proceeds of Notes		45,045			45,045
Sale of Assets	800				800
Transfers-In			10,255		10,255
Transfers-Out	(4,755)	(5,500)			(10,255)
Advances-In	12,000	12,200			24,200
Advances-Out	(7,700)	(16,500)			(24,200)
Total Other Financing Receipts/(Disbursements)	<u>345</u>	<u>35,245</u>	<u>10,255</u>	<u>0</u>	<u>45,845</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(7,290)</u>	<u>11,264</u>	<u>(5)</u>	<u>0</u>	<u>3,969</u>
Fund Cash Balances, January 1	<u>(5,194)</u>	<u>23,581</u>	<u>217</u>		<u>18,604</u>
Fund Cash Balances, December 31	<u>(\$12,484)</u>	<u>\$34,845</u>	<u>\$212</u>	<u>\$0</u>	<u>\$22,573</u>

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

UPPER TOWNSHIP
LAWRENCE COUNTY

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$15,400	\$16,363	\$	\$31,763
Intergovernmental	22,986	72,268		95,254
Other Revenue	780			780
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	39,166	88,631	0	127,797
Cash Disbursements:				
Current:				
General Government	28,262			28,262
Public Safety	11,598	8,537		20,135
Public Works	3,980	50,375		54,355
Debt Service:				
Redemption of Principal			7,763	7,763
Interest and Fiscal Charges			2,616	2,616
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	43,840	58,912	10,379	113,131
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(4,674)</u>	<u>29,719</u>	<u>(10,379)</u>	<u>14,666</u>
Other Financing Receipts/(Disbursements):				
Transfers-In			10,459	10,459
Transfers-Out	(9,459)	(1,000)		(10,459)
Advances-In	21,850	13,650		35,500
Advances-Out	(9,150)	(26,350)		(35,500)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	3,241	(13,700)	10,459	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,433)	16,019	80	14,666
Fund Cash Balances, January 1	<u>(3,761)</u>	<u>7,562</u>	<u>137</u>	<u>3,938</u>
Fund Cash Balances, December 31	<u>(\$5,194)</u>	<u>\$23,581</u>	<u>\$217</u>	<u>\$18,604</u>

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

**UPPER TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Upper Township, Lawrence County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees and a publicly-elected Clerk. The Township provides general governmental services, including maintenance of roads and fire protection.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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:

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

Fire District Fund - This fund receives property tax money to provide fire protection through contracts with other governmental entities.

**UPPER TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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:

General Note Retirement Fund - This fund is used to track resources restricted for the payment debt related expenses of the Township issued for the purchase of equipment.

4. Capital Projects Fund

The Capital Projects Fund is 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 through the Lawrence County Engineer's Office for resurfacing of Township roads.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**UPPER TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. EQUITY IN POOLED CASH

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 at December 31 was as follows:

	<u>2000</u>	<u>1999</u>
Demand deposits	<u>\$22,573</u>	<u>\$18,604</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 44,605	\$ 52,020	\$ 7,415
Special Revenue	109,782	172,945	63,163
Debt Service	0	10,255	10,255
Capital Projects	39,800	39,800	0
Total	<u>\$ 194,187</u>	<u>\$ 275,020</u>	<u>\$ 80,833</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 40,804	\$ 59,310	\$ (18,506)
Special Revenue	101,296	161,681	(60,385)
Debt Service	10,260	10,260	0
Capital Projects	39,800	39,800	0
Total	<u>\$ 192,160</u>	<u>\$ 271,051</u>	<u>\$ (78,891)</u>

**UPPER TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 56,018	\$ 61,016	\$ 4,998
Special Revenue	70,672	102,281	31,609
Debt Service	0	10,459	10,459
Total	\$ 126,690	\$ 173,756	\$ 47,066

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 52,393	\$ 62,449	\$ (10,056)
Special Revenue	65,636	86,262	(20,626)
Debt Service	0	10,379	(10,379)
Total	\$ 118,029	\$ 159,090	\$ (41,061)

Total appropriations exceeded estimated resources in 2000 in the Debt Service Fund, contrary to Ohio Rev. Code Section 5705.39. Expenditures exceeded appropriations at the fund level and at the legal level of control at December 31, 2000 in the General, Fire District, and Fire Levy Funds and at December 31, 1999 in the Debt Service Fund, contrary to Ohio Rev. Code Section 5705.41 (B). Transactions were not always certified at the time of commitment in 1999 and 2000, contrary to Ohio Rev. Code Section 5705.41 (D).

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 rate 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 in the Township.

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

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

**UPPER TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
General Obligation Note #1 - Fire Truck	\$ 26,017	6.00%
General Obligation Note #2 - Fire Truck	2,868	6.00%
General Obligation Note #3 - Fire Truck	19,260	6.25%
Total	\$ 48,145	

All of the General Obligation Notes were for fire trucks and equipment.

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

Year ending December 31:	General Obligation Note #1	General Obligation Note #2	General Obligation Note #3
2001	\$ 9,233	\$ 1,026	\$ 8,350
2002	9,233	1,026	13,400
2003	9,233	1,026	
2004	769	86	
Total	\$ 28,468	\$ 3,164	\$ 21,750

6. RETIREMENT SYSTEM

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan 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 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. Effective July 1, 2000 the employers' contribution rate decreased to 8.13% of the participants' gross salaries. The Township has paid all contributions through December 31, 2000.

**UPPER TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Public officials' liability
- Vehicles
- Inland Marine
- Crime

8. DEFICIT FUND BALANCES

At December 31, 2000 and December 31, 1999, the Township had negative cash fund balances, as follows, contrary to the provision of Ohio Rev. Code Section 5705.10:

<u>Fund Type</u>	<u>Balance at December 31, 2000</u>	<u>Balance December 31, 1999</u>
General Fund	\$ (12,484)	\$ (5,194)
Road and Bridge Fund	\$ (659)	\$ (2,553)

As of September 30, 2001, the Township reported unaudited fund balances in the General Fund of \$2,780, Road and Bridge Fund \$447. Management achieved this reduction in deficit primarily by reducing general operating expenses.



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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Upper Township
Lawrence County
P.O. Box 4126
Ironton, Ohio 45638

To the Board of Trustees:

We have audited the accompanying financial statements of Upper Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated October 16, 2001. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2000-40744-001 through 2000-30744-008. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated October 16, 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 judgement, 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. The reportable conditions are described in the accompanying Schedule of Findings as items 2000-40744-009 through 2000-40744-010.

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 2000-40744-009 to be a material weakness.

Upper Township
Lawrence County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the 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

October 16, 2001

**UPPER TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-40744-001

Finding for Recovery

Ohio Rev. Code Section 505.24 (B) (3) states that in townships having a budget of more than one hundred thousand dollars but not more than two hundred fifty thousand dollars, the compensation for 1999 was to be twenty-nine dollars and thirty-six cents per day for not more than 200 days for each of the Board of Trustees. The compensation for 2000 was to be thirty dollars and twenty-four cents per day for not more than 200 days. Robert Ackerman, Board of Trustee, is serving a term from January 1, 1998 to December 31, 2001. The Township's estimated resources for 1999 and 2000 from the Tax Budget indicated that the appropriate rate of pay for the Board of Trustees was \$29.36 per day for 1999 and \$30.24 per day for 2000. Robert Ackerman received compensation of \$6,369.99 in 1999 and \$6,560.88 in 2000. This resulted in overpayments of \$499.02 and \$513.96 for 1999 and 2000, respectively. These overpayments were as a result of the Board of Trustee being reimbursed for Public Employees' Retirement System (PERS) monies withheld from his monthly pay check.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Robert Ackerman, Board of Trustee, and Old Republic Surety Company, jointly and severally, in the amount of one thousand twelve dollars and ninety-eight cents (\$1,012.98) and in favor of the General Fund (20%; \$202.60), Road and Bridge Fund (20%; \$202.60), and Gasoline Tax Fund (60%; \$607.78) of Upper Township.

FINDING NUMBER 2000-40744-002

Finding for Recovery

Ohio Rev. Code Section 505.24 (B) (3) states that in townships having a budget of more than one hundred thousand dollars but not more than two hundred fifty thousand dollars, the compensation for 1999 was to be twenty-nine dollars and thirty-six cents per day for not more than 200 days for each of the Board of Trustees. The compensation for 2000 was to be thirty dollars and twenty-four cents per day for not more than 200 days. Charles Rowe, Board of Trustee, is serving a term from January 1, 1998 to December 31, 2001. The Township's estimated resources for 1999 and 2000 from the Tax Budget indicated that the appropriate rate of pay for the Board of Trustees was \$29.36 per day for 1999 and \$30.24 per day for 2000. Charles Rowe received compensation of \$6,369.99 in 1999 and \$6,560.88 in 2000. This resulted in overpayments of \$499.02 and \$513.96 for 1999 and 2000, respectively. These overpayments were as a result of the Board of Trustee being reimbursed for Public Employees' Retirement System (PERS) monies withheld from his monthly pay check.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Charles Rowe, Board of Trustee, and Old Republic Surety Company, jointly and severally, in the amount of one thousand twelve dollars and ninety-eight cents (\$1,012.98) and in favor of the General Fund (20%; \$202.60), Road and Bridge Fund (20%; \$202.60), and Gasoline Tax Fund (60%; \$607.78) of Upper Township.

**UPPER TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2000-40744-003

Finding for Recovery

Ohio Rev. Code Section 505.24 (B) (3) states that in townships having a budget of more than one hundred thousand dollars but not more than two hundred fifty thousand dollars, the compensation for 1999 was to be twenty-nine dollars and thirty-six cents per day for not more than 200 days for each of the Board of Trustees. The compensation for 2000 was to be thirty dollars and twenty-four cents per day for not more than 200 days. Jerry Rowe, Board of Trustee, was elected in November, 1997 to fill an unexpired term through December 31, 1999. He began his new term on January 1, 2000. The Township's estimated resources for 1999 and 2000 from the Tax Budget indicated that the appropriate rate of pay for the Board of Trustees was \$29.36 per day for 1999 and \$30.24 per day for 2000. Jerry Rowe received compensation of \$6,369.99 in 1999 and \$6,560.88 in 2000. This resulted in overpayments of \$499.02 and \$513.96 for 1999 and 2000, respectively. These overpayments were as a result of the Board of Trustee being reimbursed for Public Employees' Retirement System (PERS) monies withheld from his monthly pay check.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Jerry Rowe, Board of Trustee, and State Automobile Mutual Insurance Company, jointly and severally, in the amount of one thousand twelve dollars and ninety-eight cents (\$1,012.98) and in favor of the General Fund (20%; \$202.60), Road and Bridge Fund (20%; \$202.60), and Gasoline Tax Fund (60%; \$607.78) of Upper Township.

FINDING NUMBER 2000-40744-004

Finding for Recovery

Ohio Rev. Code Section 507.09 (A) (3) states that in townships having a budget of more than one hundred thousand dollars but not more than two hundred fifty thousand dollars, the compensation for January 1, 1999 through March 31, 2000 was to be seven thousand dollars for the Township Clerk as amended to become effective May 8, 1996. Edward Markins, Township Clerk, was serving a term from April 1, 1996 to March 31, 2000. He began his new term on April 1, 2000. With his new term the compensation increased to eight thousand one hundred sixty-nine dollars for a budget of more than one hundred thousand dollars. The statutory salary was \$7,000.00 for the Township Clerk for 1999 and \$7,876.74 for 2000 based on the estimated resources from the Tax Budget. Edward Markins received compensation of \$7,594.92 in 1999 and \$8,576.22 in 2000. This resulted in overpayments of \$594.92 and \$699.48 for 1999 and 2000, respectively. These overpayments were as a result of the Township Clerk being reimbursed for Public Employees' Retirement System (PERS) monies withheld from his monthly pay check.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Edward Markins, Upper Township Clerk, and Personal Service Insurance Company, jointly and severally, in the amount of one thousand two hundred ninety-four dollars and forty cents (\$1,294.40) and in favor of the General Fund of Upper Township.

UPPER TOWNSHIP
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)

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

FINDING NUMBER 2000-40744-005

Noncompliance Citation

Ohio Rev. Code Section 5705.10 requires money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The General Fund and the Road and Bridge Fund had negative cash balances of \$5,194 and \$2,553, respectively, at December 31, 1999. Also, the General Fund and the Road and Bridge Fund had negative cash balances of \$12,484 and \$659, respectively, at December 31, 2000.

We recommend the Township not make any disbursements from any fund until there are available funds to cover the expenditure.

FINDING NUMBER 2000-40744-006

Noncompliance Citation

Ohio Rev. Code Section 5705.39 requires that the total appropriation from each fund shall not exceed the total estimated resources.

Total appropriations exceeded estimated resources in 2000 in the Debt Service Fund by \$10,260.

We recommend the Township limit the appropriations to the amounts of the estimated revenues. If revenues are expected to increase, the Township should request an amended certificate of estimated resources and approve appropriation adjustments.

FINDING NUMBER 2000-40744-007

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) states that no subdivision is to expend money unless it has been appropriated. Expenditures exceeded appropriations at the legal level of control throughout the audit period in the following line items:

June 30, 1999:

Fire Levy Fund (2191-220-360)	\$ 4,093	Fire Levy Fund (2191-220-389)	\$ 2,000
Fire Levy Fund (2191-220-490)	\$ 500	Debt Service Fund (3101-810-810)	\$ 5,608

December 31, 1999:

Debt Service Fund (3101-810-810)	\$ 10,379
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**UPPER TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

FINDING NUMBER 2000-40744-007 (Continued)

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) (Continued)

June 30, 2000:

General Fund (1000-110-211)	\$ 422	General Fund (1000-110-314)	\$ 994
General Fund (1000-110-315)	\$ 4,620	Gasoline Fund(2021-330-420)	\$ 4,560
Fire District Fund (2111-220-360)	\$ 5,000	Fire District Fund (2111-220-790)	\$ 5,000
Fire Levy Fund (2191-220-360)	\$ 740	Fire Levy Fund (2191-220-599)	\$ 3,764
Debt Service Fund (3101-810-810)	\$ 7,565		

December 31, 2000:

General Fund (1000-110-599)	\$ 5,281	Fire District Fund (2111-220-360)	\$ 8,750
Fire District Fund (2111-220-599)	\$ 5,000	Fire District Fund (2111-220-790)	\$ 3,350
Fire Levy Fund (2191-220-360)	\$ 4,740	Fire Levy Fund (2191-220-599)	\$ 1,000

In addition, expenditures exceeded appropriations for the year ended December 31, 1999 in the General Fund by \$10,055 and Road and Bridge Fund by \$13,977. Total expenditures exceeded appropriations for the year ended December 31, 1999 by \$41,060. For the year ended December 31, 2000, expenditures exceeded appropriations in the General Fund by \$18,482; Motor Vehicle License Tax Fund by \$5,000; Fire District Fund by \$47,360; and Federal Emergency Management Agency Fund by \$3,204. Total expenditures exceeded appropriations for the year ended December 31, 2000 by \$79,108.

We recommend the Township Clerk monitor appropriations and expenditures periodically throughout the year. We further recommend the Township Clerk deny payment requests exceeding appropriations. The Township Clerk may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary and available.

FINDING NUMBER 2000-40744-008

Noncompliance Citation

Ohio Rev. Code § 5705.41(D) states that no order 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 exception to this basic requirement is 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 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 of ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

**UPPER TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2000-40744-008 (Continued)

Noncompliance Citation

Ohio Rev. Code § 5705.41(D) (Continued)

Amounts of less than \$1,000, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures of the taxing authority.

In 1999, 15% of the transactions tested were not certified at the time of commitment and, in 2000, 31% of the transactions tested were not certified at the time the commitment was incurred. As a result, invoice dates preceded the certification dates.

We recommend to the Township Clerk certify that the amount required to meet a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the appropriate fund free from any previous encumbrance prior to placing incurring obligations. In instances where prior certification is not practical, we recommend issuance of a "then and now" certificate.

FINDING NUMBER 2000-40744-009

Material Weakness

Monthly Reconciliations

The Township Clerk performed a reconciliation of book balance to the bank balance each month. However, these reconciliations were not accurate. The lists of outstanding checks used in the reconciliations were incorrect. They often contained checks which had already cleared the bank. There were four (4) checks that were deposited with the bank, however, a receipt was not written to post these monies to the system. We also noted that there were multiple checks that were deposited in one month, and their receipts were not written until several months later. Also, there were always "Other Adjusting Factors" amounts that were required to reconcile the book balance to the bank balance. These amounts varied greatly from month to month and they could not be substantiated. This resulted in several errors going undetected and incorrect fund balances. We considered these matters in forming our opinion on the financial statements.

We recommend the Township Clerk perform accurate monthly reconciliations using only actual outstanding checks and deposits in transit and investigate any discrepancies. The "Other Adjusting Factors" should not normally be needed. If there are "Other Adjusting Factors", the Township Clerk should maintain documentation which supports them.

UPPER TOWNSHIP
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)

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

FINDING NUMBER 2000-40744-010

Reportable Condition

Depositing Timely

Monies received by the Township Clerk were not always deposited with the designated depository within a reasonable period of time. This resulted in cumbersome reconciliations since receipts were written for monies when they were received but were not deposited with the bank until one to two months later. Late depositing also does not provide adequate safeguarding for this cash, and increases the risk of loss or theft.

We recommend all monies received totaling less than \$1,000 be deposited with the designated depository by the next business day unless the Board of Trustees adopts a policy including an alternate time period, not exceeding three days, and procedures to safeguard the monies. We further recommend that all monies exceeding \$1,000 be deposited by the next business day.

**UPPER TOWNSHIP
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2000 AND 1999**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2000-40744-001	The Board of Trustee intends to check with legal counsel and repay the Township, if necessary.	December 31, 2001	Robert Ackerman, Board of Trustee
2000-40744-002	The Board of Trustee intends to check with legal counsel and repay the Township, if necessary.	December 31, 2001	Charles Rowe, Board of Trustee
2000-40744-003	The Board of Trustee intends to check with legal counsel and repay the Township, if necessary.	December 31, 2001	Jerry Rowe, Board of Trustee
2000-40744-004	The Township Clerk intends to check with legal counsel and repay the Township, if necessary.	December 31, 2001	Eddie Markins, Township Clerk
2000-40744-005	The Township Clerk intends not to spend money from any fund unless there is available resources to support the expenditure.	December 31, 2001	Eddie Markins, Township Clerk
2000-40744-006	The Township Clerk intends to limit the amount of appropriations to the estimated resources.	December 31, 2001	Eddie Markins, Township Clerk
2000-40744-007	The Township Clerk intends to certify funds to verify the availability of funds.	December 31, 2001	Eddie Markins, Township Clerk
2000-40744-008	The Township Clerk intends to deny payment requests exceeding appropriations and to monitor appropriations and expenditures periodically throughout the year.	December 31, 2001	Eddie Markins, Township Clerk
2000-40744-009	The Township Clerk intends to prepare accurate monthly reconciliations. The Township Clerk also intends to prepare and post receipts to the system when monies are received by the Township.	December 31, 2001	Eddie Markins, Township Clerk
2000-40744-010	The Township Clerk intends to deposit monies timely.	December 31, 2001	Eddie Markins, Township Clerk

**UPPER TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-40744-001	Ohio Rev. Code §5705.41 (B) - Expenditures exceeded appropriations at the fund level and at the legal level of control in multiple funds in 1997 and 1998.	No.	Expenditures did exceed appropriations at the fund level and at the legal level of control in 1999 and 2000.



STATE OF OHIO
OFFICE OF THE AUDITOR

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UPPER TOWNSHIP

LAWRENCE 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
NOVEMBER 8, 2001**