



**Auditor of State  
Betty Montgomery**



ELIZABETH TOWNSHIP  
LAWRENCE COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Elizabeth Township  
Lawrence County  
1094 County Road 26  
Ironton, Ohio 45638

To the Board of Township Trustees:

We have audited the accompanying financial statements of Elizabeth Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

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 reserves for encumbrances of Elizabeth Township, Lawrence County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be, and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

August 2, 2004

**ELIZABETH 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, 2003**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$ 16,339	\$ 16,692	\$ 33,031
Intergovernmental	18,722	181,767	200,489
Earnings on Investments	145	99	244
<b>Total Cash Receipts</b>	<u>35,206</u>	<u>198,558</u>	<u>233,764</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	36,257	203	36,460
Public Safety	3,000	11,171	14,171
Public Works	243	121,071	121,314
Capital Outlay		42,106	42,106
Debt Service:			
Redemption of Principal		13,151	13,151
Interest and Fiscal Charges		2,696	2,696
<b>Total Cash Disbursements</b>	<u>39,500</u>	<u>190,398</u>	<u>229,898</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(4,294)</u>	<u>8,160</u>	<u>3,866</u>
<b>Other Financing Receipts:</b>			
Other Sources	425	393	818
<b>Total Other Financing Receipts</b>	<u>425</u>	<u>393</u>	<u>818</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements</b>	<u>(3,869)</u>	<u>8,553</u>	<u>4,684</u>
<b>Fund Cash Balances, January 1</b>	<u>13,614</u>	<u>20,642</u>	<u>34,256</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 9,745</b></u>	<u><b>\$ 29,195</b></u>	<u><b>\$ 38,940</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$1,145</b></u>	<u><b>\$1,630</b></u>	<u><b>\$2,775</b></u>

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

**ELIZABETH 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, 2002**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$ 14,405	\$ 14,022	\$ 28,427
Intergovernmental	21,663	65,609	87,272
Earnings on Investments	83	177	260
<b>Total Cash Receipts</b>	<u>36,151</u>	<u>79,808</u>	<u>115,959</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	33,756	744	34,500
Public Safety		8,973	8,973
Public Works		64,239	64,239
Health	1,000		1,000
Other		532	532
Capital Outlay		2,150	2,150
Debt Service:			
Redemption of Principal		12,768	12,768
Interest and Fiscal Charges		3,443	3,443
<b>Total Cash Disbursements</b>	<u>34,756</u>	<u>92,849</u>	<u>127,605</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,395</u>	<u>(13,041)</u>	<u>(11,646)</u>
<b>Other Financing Receipts:</b>			
Other Sources	1,791	2,259	4,050
<b>Total Other Financing Receipts</b>	<u>1,791</u>	<u>2,259</u>	<u>4,050</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	3,186	(10,782)	(7,596)
Fund Cash Balances, January 1	<u>10,428</u>	<u>31,424</u>	<u>41,852</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 13,614</b></u>	<u><b>\$ 20,642</b></u>	<u><b>\$ 34,256</b></u>
Reserve for Encumbrances, December 31	<u>\$372</u>	<u>\$941</u>	<u>\$1,313</u>

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



**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Elizabeth 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. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Elizabeth Township Volunteer Fire Department to provide fire services.

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

**B. Basis of Accounting**

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

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

**C. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

*Federal Emergency Management Agency (FEMA) Fund* – This fund received Federal monies for damages from an ice storm.

**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

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

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

**D. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, 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 2003 and 2002 budgetary activity appears in Note 3.

**E. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED CASH**

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

	<u>2003</u>	<u>2002</u>
Demand deposits	<u>\$38,940</u>	<u>\$34,256</u>

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

**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

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

**3. BUDGETARY ACTIVITY**

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

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,516	\$35,631	\$4,116
Special Revenue	211,255	198,951	(12,304)
Total	\$242,771	\$234,582	(\$8,188)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$40,645	(\$40,645)
Special Revenue	0	192,028	(192,028)
Total	\$0	\$232,673	(\$232,673)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$30,289	\$37,942	\$7,653
Special Revenue	77,033	82,067	5,034
Total	\$107,322	\$120,009	\$12,687

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$35,128	(\$35,128)
Special Revenue	0	93,790	(93,790)
Total	\$0	\$128,918	(\$128,918)

Contrary to Ohio law, the Township Clerk's certification of funds was not obtained prior to the expenditure of money. Also contrary to Ohio law, monies were expended that had not been appropriated.

**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

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

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Capital Lease - Case Loader Backhoe	\$17,330	5.75%
Capital Lease - Tractor/Mower	17,048	5.75%
Total	<u>\$34,378</u>	

The capital leases were used to purchase a loader/backhoe and a 1998 wheel tractor and Alamo boom mower. The leases are collateralized by the equipment purchased.

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

<u>Year ending December 31:</u>	<u>Capital Leases</u>
2004	\$15,847
2005	\$15,847
2006	<u>\$6,120</u>
Total	<u>\$37,814</u>

**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

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

**6. RETIREMENT SYSTEMS**

The Township's elected officials and employee belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has not paid all contributions required through December 31, 2003.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective Township.

ELIZABETH TOWNSHIP  
LAWRENCE COUNTY

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

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	<u>(11,791,300)</u>	<u>(9,197,512)</u>
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>
<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	<u>(750,956)</u>	<u>(1,204,326)</u>
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>



**Auditor of State  
Betty Montgomery**

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

Elizabeth Township  
Lawrence County  
1094 County Road 26  
Ironton, Ohio 45638

To the Board of Township Trustees:

We have audited the accompanying financial statements of Elizabeth Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 2, 2004 wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 through 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated August 2, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-004 through 2003-006.

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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, we believe none of the reportable conditions described above are material weaknesses. 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 the Township's management in a separate letter dated August 2, 2004.

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

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

**Betty Montgomery**  
Auditor of State

August 2, 2004



**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

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

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

**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Rev. Code § 5705.38 provides that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

The Board of Trustees did not pass an appropriation measure in 2002 or in 2003.

We recommend the Board of Trustees pass an appropriation measure on or about the first day of each fiscal year.

**FINDING NUMBER 2003-002**

**Noncompliance Citation**

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

The Board of Trustees did not pass an appropriation measure in 2002 or in 2003. As a result, all expenditures were made without the proper appropriation of monies.

We recommend the Board of Trustees not expend money that has not been appropriated.

**FINDING NUMBER 2003-003**

**Noncompliance Citation**

Ohio Rev. Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the Township Clerk. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements.

- A. Then and Now Certificates – 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 Board of Trustees 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 receipts of such certificate.

**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**FINDING NUMBER 2003-003  
(Continued)**

**Noncompliance Citation (Continued)**

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

- B. If the amount involved is less than \$1,000 dollars (which was increased to \$3,000 on April 7, 2003), the Township Clerk may authorize payment through a "then and now" certificate without affirmation of the Board of Trustees, if such expenditures is otherwise valid.

Purchase orders and blanket certificates were generated on the UAN system by the Township Clerk in 2002 and 2003. The approval of some of these was documented in the minute record and some were signed by the Board of Trustees. However, the Township Clerk did not sign and date the purchase orders and blanket certificates in 2002 or 2003 and they were, therefore, not valid.

We recommend the Township Clerk certify the availability of funds by signing and dating purchase orders and blanket certificates. We further recommend that purchase orders and blanket certificates be signed by the Board of Trustees.

**FINDING NUMBER 2003-004**

**Reportable Condition**

Township disbursements should be made with warrants generated on the Uniform Accounting Network (UAN) system. The printed warrants should match the information in the UAN system and should be issued in chronological order.

For 2002, we documented 22 instances and in 2003 we documented 63 instances that the information in the UAN system did not match the cancelled warrants.

We noted multiple manual warrants prepared during 2002 and 2003 and the information entered into the system often did not match the cancelled warrants. The error that occurred the most was the warrant number; however, we also noted instances that the following information did not match:

- Date of the warrant;
- Separate warrants issued to one payee were combined into one entry in the UAN system; and
- Warrant numbers not entered into the UAN system

In addition, we noted instances that warrant numbers entered into the system for warrants generated on the UAN system did not match the warrant numbers printed.

This resulted in a more cumbersome process for the Township Clerk to perform the monthly bank reconciliation. This could raise questions as to the integrity of data entered into the UAN accounting system.

We recommend the Township Clerk only issue warrants generated on the UAN system and exercise due care to ensure that the warrants printed match the information in the system.

**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**FINDING NUMBER 2003-005**

**Reportable Condition**

Documentation should be maintained to support all Township expenditures.

The original records obtained from the Township Clerk lacked supporting documentation for multiple cash disbursements. The Township Clerk was able to provide support except as follows:

- For 2002, we noted five instances of payroll disbursements made for which there was no supporting documentation or incomplete documentation; and
- For nonpayroll disbursements tested for 2003, we noted one instance of no supporting documentation and six instances of incomplete supporting documentation.

This could raise questions regarding the validity of these transactions.

We recommend that supporting documentation be maintained for all payroll and nonpayroll disbursements of the Township.

**FINDING NUMBER 2003-006**

**Reportable Condition**

Monthly reconciliations of the ending bank balance to the Township's ending book balance were performed during the audit period by the Township Clerk. However, reconciliations were not prepared timely and there were multiple reconciling items noted in addition to outstanding warrants and deposits in transit. In addition, a complete listing of outstanding warrants and deposits in transit was not maintained.

Months with significant other reconciling items were January 2002 (\$5,948), February 2002 (\$6,456), March 2002 (\$5,915), and April 2003 (\$3,652). The reconciliations prepared by the Township Clerk identified the majority of the reconciling items each month; however, some were carried forward for several months before they were corrected.

In 2002, the Township Clerk recorded a receipt to void two warrants that had been long outstanding and to zero out a reconciling item that could not be explained. In 2003, the Township Clerk recorded an expenditure to zero out a reconciling item that could not be explained.

The following factors were noted that resulted in other reconciling items:

- Interest was not posted timely.
- Receipts were not entered into the system timely.
- Many warrants were prepared manually and the information entered into the system did not match the canceled warrants.
- Warrants cleared the bank before they were posted to the system.
- Warrants were not issued sequentially.

**ELIZABETH TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**FINDING NUMBER 2003-006  
(Continued)**

**Reportable Condition (Continued)**

We recommend the Township Clerk perform monthly reconciliations on a timely basis. Reconciling items should be identified and corrected each month to prevent unsupported adjustments from being recorded. We also recommend the Township Clerk maintain accurate listings of outstanding warrants and deposits in transit. In addition, interest should be posted monthly. We further recommend that receipts and disbursements be issued utilizing the UAN accounting system and that the warrant numbers entered into the system match the actual warrants printed.

ELIZABETH TOWNSHIP  
LAWRENCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
2001-40744-001	Ohio Rev. Code Section 5705.41(D), failure to certify funds	No	Reissued as Finding 2003-003





**Auditor of State  
Betty Montgomery**

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Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**ELIZABETH 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  
SEPTEMBER 9, 2004**