



**GENOA TOWNSHIP
DELAWARE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007



Mary Taylor, CPA
Auditor of State

**GENOA TOWNSHIP
DELAWARE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	5
Notes to the Financial Statement.....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15
Schedule of Prior Audit Findings	21

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Mary Taylor, CPA
Auditor of State

Genoa Township
Delaware County
5111 S. Old 3C Highway
Westerville, Ohio 43082

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 10, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Genoa Township
Delaware County
5111 S. Old 3C Highway
Westerville, Ohio 43082

To the Board of Trustees:

We have audited the accompanying financial statement of Genoa Township, Delaware County, Ohio (the Township) as of and for the year ended December 31, 2007. This financial statement is the responsibility of the Township's management. Our responsibility is to express an opinion on this financial statement 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 processes its financial transactions with 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 audit 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared this financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the year ended December 31, 2007 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Genoa Township, Delaware County, Ohio as of December 31, 2007, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

October 10, 2008

**GENOA TOWNSHIP
DELAWARE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Other Local Taxes	\$ 1,212,905	\$ 6,121,902	\$ -	\$ -	\$ 7,334,807
Licenses, Permits, and Fees	98,219	3,918	-	-	102,137
Fines and Forfeitures	16,323	6,776	-	-	23,099
Intergovernmental	319,568	992,211	-	-	1,311,779
Earnings on Investments	448,771	45,182	-	-	493,953
Miscellaneous	82,474	123,042	-	66,442	271,958
Total Cash Receipts	<u>2,178,260</u>	<u>7,293,031</u>	<u>-</u>	<u>66,442</u>	<u>9,537,733</u>
Cash Disbursements:					
Current:					
General Government	1,111,973	83,799	-	-	1,195,772
Public Safety	-	4,853,390	-	-	4,853,390
Public Works	-	1,094,220	-	-	1,094,220
Health	636	2,181	-	-	2,817
Conservation - Recreation	13,570	-	-	-	13,570
Capital Outlay	446,181	1,396,991	-	492	1,843,664
Total Cash Disbursements	<u>1,572,360</u>	<u>7,430,581</u>	<u>-</u>	<u>492</u>	<u>9,003,433</u>
Total Receipts Over/(Under) Disbursements	<u>605,900</u>	<u>(137,550)</u>	<u>-</u>	<u>65,950</u>	<u>534,300</u>
Other Financing (Disbursements):					
Other Financing Uses	(253)	(1,000)	-	-	(1,253)
Total Other Financing (Disbursements)	<u>(253)</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>(1,253)</u>
Excess of Cash Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	605,647	(138,550)	-	65,950	533,047
Fund Cash Balances, January 1	<u>2,230,247</u>	<u>5,499,708</u>	<u>1,387</u>	<u>2,250,000</u>	<u>9,981,342</u>
Fund Cash Balances, December 31	<u>\$ 2,835,894</u>	<u>\$ 5,361,158</u>	<u>\$ 1,387</u>	<u>\$ 2,315,950</u>	<u>\$ 10,514,389</u>
Reserve for Encumbrances, December 31	<u>8,429</u>	<u>290,495</u>	<u>-</u>	<u>-</u>	<u>298,924</u>

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

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**GENOA TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Genoa Township, Delaware County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, police protection, fire protection and emergency medical services

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

B. Accounting Basis

This financial statement follows the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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).

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit and U.S. Treasury Notes at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**GENOA TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (continued)

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

Police Fund – This fund receives local real estate, property tax and other revenues collected to fund the Township’s police department.

Fire District Fund – This fund receives local real estate, property tax and other revenues collected to fund the Township’s fire department.

3. Debt Service Fund

This fund accounts for resources the Township accumulates to pay bond and note debt.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project funds:

Police Capital Projects Fund – This fund is to account for transfers of excess funds from the Police Special Revenue Fund which is being set aside by the Township for future equipment purchases for the department.

Fire Capital Projects Fund - This fund is to account for transfers of excess funds from the Fire District Special Revenue Fund which is being set aside by the Township for future equipment purchases for the department.

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.

**GENOA TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statement does not include a liability for unpaid leave.

2. Equity in Pooled Cash and Investments

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

	<u>2007</u>
Demand deposits	\$938,622
Certificates of deposit	500,000
Total deposits	<u>1,438,622</u>
STAR Ohio	79,940
U.S. Treasury Notes	8,995,826
Total investments	<u>9,075,766</u>
Total deposits and investments	<u>\$10,514,389</u>

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

Investments: The Federal Reserve holds the Township's U.S. Treasury Notes in book-entry form by, in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**GENOA TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2007
(Continued)**

3. Budgetary Activity

Budgetary activity for the year ended 2007 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,483,114	\$2,178,260	\$695,146
Special Revenue	6,679,352	7,293,031	613,679
Capital Projects	0	66,442	66,442
Total	\$8,162,467	\$9,537,733	\$1,375,266

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,551,851	\$1,581,042	\$1,970,809
Special Revenue	10,438,769	7,722,076	2,716,693
Capital Projects	1,050,000	492	1,049,508
Total	\$15,040,620	\$9,303,610	\$5,737,010

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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 and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**GENOA TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2007
(Continued)**

5. Retirement Systems (continued)

The Ohio Revised Code also prescribes contribution rates. For 2007, OP&F participants contributed 10% of their wages. For 2007, the Township contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages. For 2007, OPERS members contributed 9.5%, of their gross salaries and the Township contributed an amount equaling 13.85% of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

6. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007.

	<u>2007</u>
Assets	\$11,136,455
Liabilities	<u>(4,273,553)</u>
Members' Equity	<u>\$6,862,902</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

**GENOA TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2007
(Continued)**

7. Contingent Liabilities

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Genoa Township
Delaware County
5111 S. Old 3C Highway
Westerville, Ohio 43082

To the Board of Trustees:

We have audited the financial statement of Genoa Township, Delaware County, Ohio (the Township) as of and for the year ended December 31, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-003 and 2007-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated October 10, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 10, 2008.

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

We intend this report solely for the information and use of the management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 10, 2008

GENOA TOWNSHIP
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007

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

FINDING NUMBER 2007-001

Payroll Expenditures – Noncompliance Finding / Finding for Recovery

Ohio Rev. Code Section 507.021 provides that the township fiscal officer may set the compensation of assistants to the fiscal officer subject to the prior approval of the board of township trustees. A payroll disbursement issued was not paid in accordance with the employee's rate of pay per their employment contract. Additionally, this payroll disbursement was outside of the Board approved pay raise resolution for the 2007 fiscal year, and was not otherwise approved by the Board. This disbursement stemmed from an unauthorized bonus paid to Pamela Wolfe, fiscal assistant, on the December 7th payroll cycle authorized by the Fiscal Officer.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

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 Pamela Wolfe, Darrel Kem, Fiscal Officer, in his supervisory capacity for assuring that all such payments are in accordance with Township policy, and their bonding company, Selective Insurance Company of America, jointly and severally, in the amount of \$666, in favor of the Township's General Fund.

Darrel Kem, Fiscal Officer, shall be secondarily liable for the illegal expenditure to the extent that recovery or restitution is not obtained from Pamela Wolfe.

We recommend the Board approve all employment contracts, salary schedules, and annual raises on an annual basis prior to the beginning of the contract/employment period. All employees should be contracted and paid in accordance with their Board approved rates.

Officials' Response:

Pursuant to the above finding in the Audit performed for Genoa Township for period ending 12/31/2007, I have reviewed the findings. The Fiscal Office of Genoa Township that is currently in office (Patrick M. Myers, Fiscal Officer and Donna Batten, Fiscal Assistant) were not part of the Township staff at the time of this unauthorized payroll expenditure.

We have reviewed and agree with the recommendation that the Board approve all employment contracts, salary schedules, and annual raises on an annual basis prior to the beginning if the contract/employment period. All employees will be paid in accordance with Board approved salaries determined at the Re-Organization meeting in January.

**GENOA TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)**

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

FINDING NUMBER 2007-002

Certification of Funds – Noncompliance Finding

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity (the Township) from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket certificate – Fiscal officers may prepare "blanket" certificates against any specific line item account not extending beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Township did not properly certify the availability of funds prior to the purchase commitment for 23 percent of the transactions tested and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

**GENOA TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-002 (Continued)

Certification of Funds – Noncompliance Finding (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Township Finance Director should certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

The Township should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Finance Director should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Finance Director should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:

Pursuant to the above finding in the Audit performed for Genoa Township for period ending 12/31/2007, I have reviewed the findings. The Fiscal Office of Genoa Township that is currently in office (Patrick M. Myers, Fiscal Officer and Donna Batten, Fiscal Assistant) were not part of the Township staff at the time the use of "then and now" Purchase orders were used incorrectly.

We understand the process for using "then and now" purchase orders, blanket certificates and super blanket certificates. The processes are in place to ensure correct use and posting of funds.

FINDING NUMBER 2007-003

Bank Reconciliation – Significant Deficiency

A bank to book reconciliation should be performed monthly and reviewed and approved by an individual with appropriate fiscal authority, and should be presented to the Board as well. All bank accounts of the Township should be included in the monthly bank to book reconciliation process.

The Township posted a receipt for Delaware Co. Bank interest on December 31, 2007 in the amount of \$16,049 in order for their system balance to equal the bank balance. The description on the receipt stated "unknown Bank rec balance will find in 2008".

The Township also had several very untimely postings of interest revenues in 2007.

- February-May 2007 Delaware Co. Bank general account monthly interest was not posted until May 29, 2007
- March-September 2007 Delaware Co. Bank general account monthly interest was not posted until September 28, 2007
- December 2006-September 2007 STAR Ohio monthly interest was not posted until September 28, 2007
- No 5/3rd securities activity was posted which was comprised of \$103,022 of accrued interest expense and \$93,945 of realized gains for a net loss of \$9,077.

**GENOA TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)**

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

FINDING NUMBER 2007-003 (Continued)

Bank Reconciliation – Significant Deficiency (Continued)

The Township should also ensure correct posting of their Fifth-Third Securities portfolio account. In 2007, they posted the balance as the amount initially invested, which is correct for an entirely cash-basis entity. However, the Township did not count for accrued interest expense, which should have been recorded as negative revenue, and realized gains, which would be recorded as revenue. These two items net to create an interest income/loss on the account.

Not correctly and completely maintaining all accounts of the Township on the bank reconciliation could lead to possible theft or mismanagement of funds without the timely detection by management. Additionally, not posting all interest revenues in a timely manner and not correctly reconciling all bank accounts to the books could lead to misstatements.

We recommend the Township determine the source of the difference noted above and make the appropriate correcting entries and reconcile their ledgers correctly as part of the monthly reconciliation process. As a monitoring control, we recommend the monthly bank reconciliation be reviewed and approved by an individual with appropriate fiscal authority, and also made available for review and approval by the Board. Furthermore, we recommend the timely posting of interest revenues to the ledger in order for the Township to account for all monies coming in.

Officials' Response:

Pursuant to the above finding in the Audit performed for Genoa Township for period ending 12/31/2007, I have reviewed the findings. The Fiscal Office of Genoa Township that is currently in office (Patrick M. Myers, Fiscal Officer and Donna Batten, Fiscal Assistant) were not part of the Township staff at the time the use of the lack of monthly Bank Reconciliation was taking place. As of 4/1/08, when the current administration began at Genoa Township a process was put in place to ensure that this happens each and every month, and that timely posting occurs.

FINDING NUMBER 2007-004

Financial Reporting – Significant Deficiency

Sound financial reporting is the responsibility of the Township's Finance Department and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Unless stated otherwise, the below denoted items have been corrected in the accompanying financial statement and the Township's accounting records.

**GENOA TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-004 (Continued)

Financial Reporting – Significant Deficiency (Continued)

The following posting errors were noted during the review of the December 31, 2007 year end financial accounting system reports:

- Unrecorded accrued interest expense and realized gains on investments resulting in an earning on investment loss of \$9,007 was not recorded.
- Beginning 2007 fund balances did not match ending 2006 fund balances, due to prior year adjustments run through current year activity, which resulted in an adjustment to decrease beginning fund balance and reduce expenditures of \$40,330 in the General Fund and \$133 in the Fire Fund.
- Homestead and rollback receipts were misposted as Tax revenue instead of Intergovernmental revenue by \$79,746, \$151,027, and \$151,027 in the General, Police, and Fire funds respectively.
- Real estate settlement taxes of \$2,255 and local government property tax replacement revenue of \$4,144 were misposted as Miscellaneous revenue instead of Tax revenue in the General Fund.
- Auditor and Treasurer Fees were recorded at net instead of recorded at gross and written down to net in the amounts of \$59,524, \$13,865, \$32,892, \$32,892, and \$4,150 for the General, Road and Bridge, Police, Fire, and TIF funds respectively.
- Road and Bridge Taxes were recorded in the General Fund instead of the Road and Bridge Fund for \$5,653.
- Motor Vehicle License Tax Fund Intergovernmental Receipts were recorded as Taxes revenue of \$16,502 and Intergovernmental revenue of \$10,909 in the Permissive Motor Vehicle License Tax Fund.
- Motor Vehicle License Fund Tax revenue of \$54,736 was misposted as Intergovernmental revenue.
- Employee benefit checks were issued receipted back into the Township and re-issued resulting in double posting of the activity of \$4,344, \$3,134, \$8, \$12,679, and \$10,972 in the General, Road and Bridge, Cemetery, Police, and Fire funds respectively.

The following unadjusted differences were noted during the review of the December 31, 2007 year end financial accounting reports:

- Fire grants in the amount of \$5,500 were posted as Miscellaneous revenue in the Fire Fund instead of Intergovernmental revenue.
- December 2006 interest was posted as Earnings on Investments receipts in 2007 instead of 2006 for \$18,716, \$851, \$285, and \$235 in the General, Permissive Motor Vehicle License Tax, Motor Vehicle License Tax, and Gasoline Tax funds respectively.
- Unsupported entry noted in Finding 2007-003 of \$16,049 was posted to Earnings on Investment receipts.

The items identified above should be reviewed by the Township's Finance Department staff to ensure that similar errors are not recorded in the financial accounting system and the financial statements in subsequent years. In addition, the Township should adopt procedures for the review of posting transactions to the accounting system and subsequent posting to the financial statements.

**GENOA TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)**

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

FINDING NUMBER 2007-004 (Continued)

Financial Reporting – Significant Deficiency (Continued)

Officials' Response:

Pursuant to the above finding in the Audit performed for Genoa Township for period ending 12/31/2007, I have reviewed the findings. The Fiscal Office of Genoa Township that is currently in office (Patrick M. Myers, Fiscal Officer and Donna Batten, Fiscal Assistant) were not part of the Township staff at the time the posting errors occurred.

We understand the processes that are to be used, and will ensure that they continue to be followed.

**GENOA TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Funds from developers to be set aside for specific purposes – Twp. was not tracking these funds to ensure proper spending.	Yes	
2006-002	ORC 145 & 742 – OPERS withholdings remitted late.	Yes	
2006-003	Tax settlements recorded on UAN at net amount, not gross.	No	Not Corrected – Reissued as 2007-004.



Mary Taylor, CPA
Auditor of State

GENOA TOWNSHIP

DELAWARE 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
JANUARY 8, 2009**