

**GENOA TOWNSHIP**

**COLUMBUS REGION, DELAWARE COUNTY**

**REGULAR AUDIT**

**JANUARY 1, 1997 - DECEMBER 31, 1998**

**FISCAL YEARS AUDITED UNDER GENERALLY ACCEPTED GOVERNMENT  
AUDITING STANDARDS:**

**1997-1998**

**WOLF, ROGERS, DICKEY & CO.**  
*Certified Public Accountants*



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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Board of Trustees  
Genoa Township  
5111 South Old 3 C Highway  
Westerville, Ohio 43082-9033

We have reviewed the Independent Auditor's Report of the Genoa Township, Delaware County, prepared by Wolf, Rogers, Dickey & Co., for the audit period January 1, 1997 through December 31, 1998. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized flourish that loops around the text.

JIM PETRO  
Auditor of State

May 5, 2000

**WOLF, ROGERS, DICKEY & Co.**

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Genoa Township  
Delaware County, Ohio  
5111 South Old 3C Highway  
Westerville, Ohio:

We have audited the accompanying financial statements of Genoa Township, Delaware County, Ohio (the Township) as of and for the years ended December 31, 1998 and 1997. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 2 to the financial statements, counsel for the Township is pursuing a finding for recovery and theft in office investigations for the Township, and the Township is party to a defamation lawsuit. The outcome of these events and the potential risk of liability to the Township, if any, are unknown at this time.

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 the Township as of December 31, 1998 and 1997, 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 a report dated January 5, 2000 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.

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

*Wolf, Rogee, Dickey & Co.*  
Certified Public Accountants

Delaware, Ohio  
January 5, 2000

**Genoa Township  
Delaware County, Ohio**

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**Genoa Township**  
**Delaware County, Ohio**  
**Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund**  
**Cash Balances – All Governmental Fund Types –**  
**For the Year Ended December 31, 1998**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	(Memorandum Only) <u>Total</u>
<b>Cash receipts:</b>				
Local taxes	\$ 371,997	1,698,179	-	2,070,176
Intergovernmental	186,396	297,064	-	483,460
Fines, licenses, and permits	172,082	1,650	-	173,732
Grants	14,562	73,710	-	88,272
Interest	70,029	940	-	70,969
Other	<u>39,676</u>	<u>33,520</u>	-	<u>73,196</u>
<b>Total cash receipts</b>	<b>854,742</b>	<b>2,105,063</b>	<b>-</b>	<b>2,959,805</b>
<b>Cash disbursements:</b>				
<b>Current:</b>				
Public safety	-	1,092,569	-	1,092,569
Public works	-	503,741	-	503,741
General government	330,051	-	-	330,051
Conservation-recreation	8,178	11,373	-	19,551
Health	5,730	5,981	-	11,711
Capital outlay	134,540	249,604	-	384,144
Debt service-principal	-	-	114,893	114,893
-interest	-	-	<u>48,931</u>	<u>48,931</u>
<b>Total cash disbursements</b>	<b><u>478,499</u></b>	<b><u>1,863,268</u></b>	<b><u>163,824</u></b>	<b><u>2,505,591</u></b>
<b>Cash receipts over (under) cash disbursements</b>	<b>376,243</b>	<b>241,795</b>	<b>(163,824)</b>	<b>454,214</b>
<b>Other financing sources (uses):</b>				
Loan proceeds	-	46,100	-	46,100
Advances to other funds	(12,706)	-	-	(12,706)
Transfers	<u>(19,034)</u>	<u>(144,993)</u>	<u>164,027</u>	<u>-</u>
<b>Net other financing sources (uses)</b>	<b>(31,740)</b>	<b>(98,893)</b>	<b>164,027</b>	<b>33,394</b>
<b>Fund cash balances</b>				
January 1, 1998	<u>222,182</u>	<u>472,493</u>	<u>-</u>	<u>694,675</u>
<b>Fund cash balances December 31, 1998</b>	<b>\$ <u>566,685</u></b>	<b><u>615,395</u></b>	<b><u>203</u></b>	<b><u>1,182,283</u></b>
<b>Reserve for encumbrances</b>	<b>\$ <u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

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

**Genoa Township  
Delaware County, Ohio  
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund  
Cash Balances – All Governmental Fund Types –  
For the Year Ended December 31, 1997**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	(Memorandum Only) <u>Total</u>
<b>Cash receipts:</b>				
Local taxes	\$ 289,616	1,495,933	-	1,785,549
Intergovernmental	290,688	329,072	-	619,760
Fines, licenses, and permits	122,211	3,106	-	125,317
Grants	-	49,211	-	49,211
Park fees	-	34,000	-	34,000
Interest	17,116	1,112	-	18,228
Other	<u>11,269</u>	<u>41,082</u>	<u>-</u>	<u>52,351</u>
<b>Total cash receipts</b>	<b>730,900</b>	<b>1,953,516</b>	<b>-</b>	<b>2,684,416</b>
<b>Cash disbursements:</b>				
<b>Current:</b>				
Public safety	28,910	1,047,998	-	1,076,908
Public works	5,319	860,958	-	866,277
General government	293,379	-	-	293,379
Health	6,350	8,560	-	14,910
Conservation-recreation	6,393	-	-	6,393
Miscellaneous	-	31,318	-	31,318
Capital outlay	92,691	75,781	-	168,472
Debt service-principal	-	-	275,936	275,936
-interest	-	-	<u>73,744</u>	<u>73,744</u>
<b>Total cash disbursements</b>	<b><u>433,042</u></b>	<b><u>2,024,615</u></b>	<b><u>349,680</u></b>	<b><u>2,807,337</u></b>
<b>Cash receipts over (under) cash     disbursements</b>	<b>297,858</b>	<b>(71,099)</b>	<b>(349,680)</b>	<b>(122,921)</b>
<b>Other financing sources (uses):</b>				
Loan proceeds	44,445	530,000	-	574,445
Advances to other funds	(155,000)	(45,000)	-	(200,000)
Advance repayments	45,000	155,000	-	200,000
Transfers	<u>(51,611)</u>	<u>(298,069)</u>	<u>349,680</u>	<u>-</u>
<b>Net other financing sources (uses)</b>	<b>(117,166)</b>	<b>341,931</b>	<b>349,680</b>	<b>574,445</b>
Fund cash balances January 1, 1997	<u>41,490</u>	<u>201,661</u>	<u>-</u>	<u>243,151</u>
Fund cash balances December 31, 1997	<b>\$ <u>222,182</u></b>	<b><u>472,493</u></b>	<b><u>-</u></b>	<b><u>694,675</u></b>
Reserve for encumbrances	<b>\$ <u>32,210</u></b>	<b><u>62,715</u></b>	<b><u>-</u></b>	<b><u>94,925</u></b>

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

**Genoa Township  
Delaware County, Ohio  
Notes to the Financial Statements  
For the Years Ended December 31, 1998 and 1997**

**(1) Summary of Significant Accounting Policies**

**Description of the Entity**

Genoa Township, Delaware County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees.

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

**Basis of Accounting**

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

**Cash and Investments**

The Township invests funds in excess of immediate needs in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is a statewide investment pool managed by the Treasurer of the State of Ohio pursuant to Ohio Revised Code Section 135.45. The investment pool consists mainly of federal agency issues and U.S. Treasury issues. All investment securities are fully collateralized. Investments in STAR Ohio are valued at cost which approximates market. The Township also invested in certificates of deposit, which are valued at cost.

**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.

**i. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**ii. Special Revenue Funds**

These funds are used to account for proceeds from specific sources 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 for constructing, maintaining and repairing Township roads.

Fire District Fund - Receives taxes levied to provide fire protection to the township.

Road District Fund - This fund receives taxes levied for constructing, maintaining and repairing township roads.

Police District Fund - Receives taxes levied to provide police protection to the township.

Park District Fund - Receives park fees from the City of Westerville to be used to construct and maintain park lands for township residents.

**Genoa Township  
Delaware County, Ohio  
Notes to the Financial Statements  
For the Years Ended December 31, 1998 and 1997**

**(1) Summary of Significant Accounting Policies (Continued)**

**iii. Debt Service Fund**

This fund is used to set aside amounts necessary to make required payments on promissory notes described in Note 8.

**Budgetary Process**

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

**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. Appropriations lapse at year end.

**Estimated Resources**

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

**Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made.

A summary of 1998 and 1997 budgetary activity appears in Note 4.

**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.

**Unpaid Vacation and Sick Leave**

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

Genoa Township  
 Delaware County, Ohio  
 Notes to the Financial Statements  
 For the Years Ended December 31, 1998 and 1997

(1) Summary of Significant Accounting Policies (Continued)

Total (Memorandum Only) Columns on Combined Statements

Total columns in the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present cash receipts or disbursements in conformity with the cash basis of accounting. Neither is such data comparable to consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Contingencies

The Auditor of the State of Ohio issued a finding for recovery against the Township trustees and former clerk as a result of the independent audit of the Township's 1995 and 1996 financial statements. The Delaware County Prosecutor is required to collect the finding for recovery for the Township, and is in the process of doing so.

Additionally, the office of the Delaware County Prosecutor is conducting theft in office investigations for other incidents unrelated to the finding for recovery. The investigations are a result of information discovered during an internal investigation following the issuance of the finding for recovery.

An ex-employee of the Township has filed a defamation lawsuit against the Township, the Trustees, and a Township employee related to a theft in office charge discussed in the preceding paragraph. The Township intends to vigorously defend these charges.

The Township is also involved in litigation regarding a zoning dispute and a challenge of the zoning referendum process. This litigation is not expected to result in any liability or financial loss to the Township.

(3) Equity In Pooled Cash And Investments

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

	<u>1998</u>	<u>1997</u>
Demand deposits - Delaware County Bank	\$ 710,812	544,675
STAR Ohio	471,471	-
Certificate of deposit - Delaware County Bank	<u>-</u>	<u>150,000</u>
Total deposits	\$ <u>1,182,283</u>	<u>694,675</u>

All deposits are maintained in interest bearing accounts.

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

**Genoa Township  
Delaware County, Ohio  
Notes to the Financial Statements  
For the Years Ended December 31, 1998 and 1997**

**(4) Budgetary Activity**

The Township accounts for transactions on the budget basis, whereby purchase orders, contracts, and other commitments for the expenditure of monies are encumbered in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year end are reported as expenditures on the budget basis of accounting.

The Township's budgetary activity for the years ending December 31, 1998 and 1997 were as follows:

**1998 Budgeted and Actual Receipts**

<u>Fund Type</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 538,337	854,742	316,405
Special Revenue	2,093,904	2,151,163	57,259
Debt Service	<u>384,169</u>	<u>164,027</u>	<u>(220,142)</u>
Total	<u>\$ 3,016,410</u>	<u>3,169,932</u>	<u>153,522</u>

**1998 Budgeted and Actual Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 760,518	510,239	250,279
Special Revenue	2,612,497	2,008,261	604,236
Debt Service	<u>384,169</u>	<u>163,824</u>	<u>220,345</u>
Total	<u>\$ 3,757,184</u>	<u>2,682,324</u>	<u>1,074,860</u>

**1997 Budgeted and Actual Receipts**

<u>Fund Type</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 392,778	820,345	427,567
Special Revenue	1,724,281	2,638,516	914,235
Debt Service	<u>372,980</u>	<u>349,680</u>	<u>(23,300)</u>
Total	<u>\$ 2,490,039</u>	<u>3,808,541</u>	<u>1,318,502</u>

Genoa Township  
 Delaware County, Ohio  
 Notes to the Financial Statements  
 For the Years Ended December 31, 1998 and 1997

(4) Budgetary Activity, continued

1997 Budgeted and Actual Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 835,112	671,863	163,249
Special Revenue	2,851,451	2,430,399	421,052
Debt Service	<u>372,980</u>	<u>349,680</u>	<u>23,300</u>
Total	\$ <u>4,059,543</u>	<u>3,451,942</u>	<u>607,601</u>

(5) 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. Real property taxes are payable annually or semi-annually. If the property owner elects to make semiannual payment, the first half is due February 10. The second half payment is due the following July 10.

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.

(6) Retirement Systems

Full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement health care, 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 1998 and 1997, PERS members contributed 8.5 % or 9% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1998.

**Genoa Township**  
**Delaware County, Ohio**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 1998 and 1997**

(7) Risk Management

The Township has obtained commercial insurance for comprehensive property and general liability and public official's liability.

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

(8) Long Term Debt

Long-term debt at December 31 consisted of the following:

	<u>1998</u>	<u>1997</u>
Park land acquisition notes, 1995		
Series A, \$100,000, 6.25%, matures 12/13/99	25,000	50,000
Promissory note, Township Hall,		
\$211,500, 5.85%, matures 10/30/00	70,500	94,000
Fire fighting facility notes, 1994		
Series A, \$617,000, 4.91%, matures 7/7/02	308,500	385,625
Fire fighting equipment notes,		
1994 Series B, \$150,000, 4.91%, matures 7/7/02	75,000	93,750
Fire fighting facility renovation notes,		
1995 Series A, \$196,000, 6.25%, matures 7/21/03	122,500	147,000
Fire truck notes, 1995 Series C,		
\$125,000, 5.75%, matures 12/19/03	78,125	93,750
Salt shed notes, 1996 Series A,		
\$116,000, 6.25%, matures 11/14/04	87,000	101,500
Maintenance building improvement notes,		
\$500,000, 6.35%, matures 4/29/06	444,400	500,000
Other promissory notes with interest		
rates ranging from 3.95% to 6.5%, maturing		
through 3/15/07	<u>70,940</u>	<u>135,733</u>
 Total long-term debt	 <u>\$ 1,281,965</u>	 <u>1,601,358</u>

Principal payments from the Debt Service Fund totaled \$114,893 for 1998. Additional principal payments are included in the following captions: Special Revenue Funds – Capital Outlay, \$136,000; General Fund – Capital Outlay, \$88,007; Special Revenue Funds – Public Works, \$14,500; and Special Revenue Funds – Transfers Out, \$12,093. All principal payments for 1997 were disbursed from the Debt Service Fund.

All of the Township's debt, except the park land acquisition notes, is held by the Delaware County Bank.

Scheduled maturities of long-term debt for the next five years are as follows:

1999 - \$313,055; 2000 - \$241,955; 2001 - \$229,555; 2002 - \$206,055; and 2003 - \$110,180.

**Genoa Township**  
**Delaware County, Ohio**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 1998 and 1997**

**(9) Tax Increment Financing**

In December 1995, pursuant to Section 5709.73 of the Ohio Revised Code, the Genoa Township Trustees adopted a resolution declaring any further improvements to certain real property located within the unincorporated area of the Township to be a public purpose and created a tax incentive financing (TIF) district. The TIF will exempt further improvements to the benefitting parcels of land from real property taxation, and will direct the funds to the Township for the purpose of constructing and improving certain roads. The Westerville City School District agreed to an exemption of fifty percent of the assessed value of improvements to the 60.69 acre property for a period of up to twenty years.

**(10) Park Fees**

Pursuant to Section 711.09 of the Ohio Revised Code, the City of Westerville (the City) exercises jurisdiction over subdivision plat approval in the unincorporated territory of Genoa Township that is located within three miles of the Westerville City limits. As part of the plat approvals, the City collects public use fees on a "per lot" basis from the developers.

Under an agreement between the Township and the City dated December 19, 1995, the City agreed to give the public use fees collected from the subdivisions platted within the unincorporated area of the Township to the Township for the purpose of acquiring, constructing, and maintaining recreational facilities.

The Township received \$34,000 in 1997. This amount represented all such fees collected to that time by the City. Semi-annual remittances will be made to the Township as new subdivisions are platted. The Township received no fees in 1998.

**(11) Salt Shed Lease**

The Township has leased approximately one-third of its salt storage shed located at 7049 Big Walnut Road to Delaware County for the purpose of storing trucks, salt and other road related materials. Under terms of the lease, Delaware County reimbursed Genoa Township for one-third of the cost of constructing the salt storage shed, and shall pay \$1 per year rent for the fifty-year lease term. Delaware County is entitled to an additional fifty-year lease term at the same annual rent.

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

Board of Trustees  
Genoa Township  
Delaware County, Ohio  
5111 South Old 3C Highway  
Westerville, Ohio:

We have audited the financial statements of Genoa Township, Delaware County, Ohio (the Township), as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated January 5, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on 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* and which are described below. We also noted certain immaterial instances of noncompliance, which we have reported to management of the Township in a separate letter dated January 5, 2000.

Township Expenditures

Various statutes within the Ohio Revised Code, including Sections 505.08, 505.101, 505.42, 507.11, 511.12, 515.01, 5549.21 and 5575.01 specifically govern township expenditures. Townships may make expenditures only for the purposes authorized by statute.

We selected one hundred twenty non-payroll disbursements for specific testing and scanned the expenditure journals for 1997 and 1998 to identify potential non-business purpose expenditures. During this testing, we identified several disbursements for which we could find no statutory authority or that did not appear to be for a proper public purpose.

In addition, documentation for three of the one hundred twenty disbursements was at the County Prosecutor's office as part of ongoing theft in office investigations.

## Township Expenditures (continued)

We recommend that the Township only make disbursements that are authorized by the Ohio Revised Code for a proper public purpose.

### Purchase Orders and Blanket Certificates

Ohio Rev. Code Section 5705.41 (D)(1) states that no taxing authority shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer 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.

We noted during cash disbursements testing that purchase order or blanket certificate dates did not precede the invoice dates for thirty-six of the one hundred twenty disbursements tested. Funds should be encumbered prior to purchase of goods or services to ensure that appropriated amounts are not exceeded. We also noted that at the beginning of a new year, some Township expenditures relating to the prior year were charged against current year appropriations.

We recommend that the Township issue purchase orders or blanket certificates prior to incurring obligations and that the Township charge expenditures against appropriations for the year in which the obligation was incurred.

## 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 a matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. 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 condition is described as follows:

### Review of Township Expenditures

Ohio Rev. Code Section 507.11(B) requires the signature of two trustees as well as that of the clerk on all warrants issued by the Township. The requirement for the trustees' signatures provides the opportunity for someone to review the expenditures other than the person who prepares the warrants. The review of expenditures for proper public purpose and agreement to supporting invoices prior to providing a signature is an important oversight function.

As discussed in the Compliance section of this report several expenditures were identified during testing for which we could find no statutory authority or that did not appear to be for a proper public purpose. Review of all disbursements and supporting invoices, with consideration given to the types of expenditures authorized by the Ohio Revised Code, would assist in ensuring that all expenditures made are for a proper public purpose.

Review of Township Expenditures (continued)

We recommend that the Trustees review the supporting documentation for all warrants issued prior to providing the required signatures to verify that the expenditure is for a proper public purpose.

Federal Identification Number

During cash testing, we became aware of two savings accounts that existed and used the Township's federal identification number, but were not recorded in the Township's financial records. These accounts were opened by private citizens who were raising funds for Township projects. The Township did not own the accounts, although the monies were ultimately used to purchase a "speed wagon" and training for the police department's K-9 unit, both for the Township. Use of the Township federal identification number could imply to the donor that the gift is charitable and subject to the Township internal control procedures.

We recommend that the Township not permit individuals or groups to use its federal identification number for any purpose. If an individual or group wishes to collect funds for the benefit of a Township project, these funds should be deposited in a Township bank account, subject to all of the Township internal control procedures, or a social security number or separate identification number should be used.

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 weakness. However, we believe that the reportable condition regarding review of Township expenditures described above is a material weakness.

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

*Wolf, Rogers, Dickey & Co.*  
Certified Public Accountants

Delaware, Ohio  
January 5, 2000



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OFFICE OF THE AUDITOR

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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.

By: Susan Babbitt

Date: MAY 16, 2000