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**PROSPECT TOWNSHIP  
COLUMBUS REGION, MARION COUNTY  
REPORT ON FINANCIAL STATEMENTS  
DECEMBER 31, 1998 AND 1997**

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**PROSPECT TOWNSHIP**  
**COLUMBUS REGION, MARION COUNTY**  
**REPORT ON FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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Board of Trustees  
Prospect Township  
Marion County  
200 South Elm Street  
Prospect, Ohio 43342

We have reviewed the independent auditor's report of the Prospect Township, Marion County, prepared by Holbrook & Manter, LLP, Certified Public Accountants, 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. The Prospect 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.

JIM PETRO  
Auditor of State

February 3, 2000



HOLBROOK & MANTER, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Prospect Township  
Marion County  
200 S. Elm St.  
Prospect, Ohio 43342

We have audited the accompanying financial statements of Prospect Township, Marion County, Ohio, (the Township) as of and for the years ended 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 audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Prospect Township, Marion County, as of December 31, 1998 and December 31, 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 our report dated December 15, 1999 on our consideration of the Government'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 specified parties.

*Holbrook & Manter, LLP*

Certified Public Accountants

December 15, 1999  
Marion, Ohio

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MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
OHIO SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

**PROSPECT TOWNSHIP**  
**MARION COUNTY**  
**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENT, AND CHANGES IN FUNDS**  
**CASH BALANCES ~ ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only) Total</u>
Cash receipts:			
Local taxes	\$ 39,828	\$ 0	\$ 39,828
Intergovernmental	17,553	47,418	64,971
Interest	6,755	3,205	9,960
Licenses, permits and fees	521	8,538	9,059
Miscellaneous	3,269	0	3,269
<b>Total cash receipts</b>	<u>67,926</u>	<u>59,161</u>	<u>127,087</u>
Cash disbursements:			
Current:			
General government	43,301	0	43,301
Public works	0	15,831	15,831
Health	9,936	17,210	27,146
Capital outlay	0	8,576	8,576
<b>Total cash disbursements</b>	<u>53,237</u>	<u>41,617</u>	<u>94,854</u>
<b>Total receipts over/(under) cash disbursements</b>	<u>14,689</u>	<u>17,544</u>	<u>32,233</u>
Fund cash balances January 1, 1998	<u>107,972</u>	<u>70,399</u>	<u>178,371</u>
<b>Fund cash balances, December 31, 1998</b>	<u>\$ 122,661</u>	<u>\$ 87,943</u>	<u>\$ 210,604</u>

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

**PROSPECT TOWNSHIP**  
**MARION COUNTY**  
**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENT, AND CHANGES IN FUNDS**  
**CASH BALANCES - ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 1997**

	General	Special Revenue	(Memorandum Only) Total
Cash receipts:			
Local taxes	\$ 37,518	\$ 0	\$ 37,518
Intergovernmental	39,575	53,525	93,100
Interest	6,877	1,872	8,749
Licenses, permits and fees	669	7,740	8,409
Miscellaneous	2,535	0	2,535
	87,174	63,137	150,311
Total cash receipts			
Cash disbursements:			
Current:			
General government	56,686	0	56,686
Public works	0	33,540	33,540
Health	10,318	10,049	20,367
Capital outlay	0	10,287	10,287
	67,004	53,876	120,880
Total cash disbursements			
Total receipts over/(under) cash disbursements	20,170	9,261	29,431
Fund cash balances January 1, 1997	87,802	61,138	148,940
Fund cash balances, December 31, 1997	\$ 107,972	\$ 70,399	\$ 178,371

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

**PROSPECT TOWNSHIP**  
**MARION COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 and 1997**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-**

**Description of the Entity** - Prospect Township, Marion 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. The Township provides general governmental services, including road repair and maintenance.

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

**Basis of Accounting** - These financial statements were prepared on the cash 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.

**Cash and Investments** – The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**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:

**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.

**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:

**Motor Vehicle License Tax Fund**

This fund receives motor vehicle tax money for constructing, maintaining and repairing township roads.

**Gasoline Tax Fund**

This fund receives gasoline tax money for constructing, maintaining and repairing township roads.

**Cemetery Fund**

This fund receives fees for cemetery services and sales of cemetery lots

**Budgetary Process** - The Ohio Revised Code requires that each 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 Marion County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year's end.

**PROSPECT TOWNSHIP**  
**MARION COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 and 1997**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES :-** (continued)

**Estimated Resources**

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

**Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year's end are canceled, and reappropriated in the subsequent year.

A summary of 1998 and 1997 budgetary activity appears in Note 3.

**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

**NOTE 2 – EQUITY IN POOLED CASH AND INVESTMENTS:-**

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

	<u>1998</u>	<u>1997</u>
Deposits	\$ 57,360	\$ 33,139
STAR Ohio	<u>153,244</u>	<u>145,232</u>
Total deposits and investments	<u>\$ 210,604</u>	<u>\$ 178,371</u>

**Deposits** - The Townships deposits are insured by the Federal Depository Insurance Corporation.

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

**PROSPECT TOWNSHIP**  
**MARION COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 and 1997**

**NOTE 3 – BUDGETARY ACTIVITY:-**

Budgetary activity for the years ending December 31, 1998 and 1997 was as follows:

**1998 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 69,411	\$ 67,926	\$ (1,485)
Special Revenue	<u>68,200</u>	<u>59,161</u>	<u>(9,039)</u>
Total	<u>\$ 137,611</u>	<u>\$ 127,087</u>	<u>\$ (10,524)</u>

**1998 Budgeted VS. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 135,023	\$ 53,237	\$ 81,786
Special Revenue	<u>111,429</u>	<u>41,617</u>	<u>69,812</u>
Total	<u>\$ 246,452</u>	<u>\$ 94,854</u>	<u>\$ 151,598</u>

**1997 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 68,617	\$ 87,174	\$ 18,557
Special Revenue	<u>68,200</u>	<u>63,137</u>	<u>(5,063)</u>
Total	<u>\$ 136,817</u>	<u>\$ 150,311</u>	<u>\$ 13,494</u>

**PROSPECT TOWNSHIP**  
**MARION COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 and 1997**

**NOTE 3 – BUDGETARY ACTIVITY:-** (continued)

**1997 Budgeted VS. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 156,542	\$ 67,004	\$ 89,538
Special Revenue	<u>128,904</u>	<u>53,876</u>	<u>75,028</u>
Total	<u>\$ 285,446</u>	<u>\$ 120,880</u>	<u>\$ 164,566</u>

**NOTE 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 Marion County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

**NOTE 5 - RETIREMENT SYSTEMS:-**

The Township's 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 post-retirement 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 1998 and 1997, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township had not paid all contributions required through December 31, 1998. These contributions have subsequently been paid and the Township is now current with their payments.

**NOTE 6 – RISK MANAGEMENT:-**

The Township has obtained commercial insurance for the following risks from the Personal Service Insurance Co.:

- Comprehensive property and general liability
- Vehicles
- Commercial Inland Marine
- Public Officials Liability Insurance

**PROSPECT TOWNSHIP**  
**MARION COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 and 1997**

**NOTE 7 – YEAR 2000 ISSUE:-**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

Prospect Township has no known computer systems or other electronic equipment necessary to conducting Township operations:

- Tax collection for the Township is handled by Marion County. The County is responsible for remediating this system, and is solely responsible for any costs associated with this project.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Township is or will be Year 2000 ready, that the Township's remediation efforts will be successful in whole or in part, or that parties with whom the Township does business will be year 2000 ready.



HOLBROOK & MANTER, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**Report on Compliance and on Internal Control**  
**Required by Government Auditing Standards**

Board of Trustees  
Prospect Township  
Marion County  
200 S. Elm St.  
Prospect, Ohio 43342

We have audited the accompanying financial statements of Prospect Township, Marion County, Ohio (the Township), as of and for the years ended December 31, 1998 and December 31, 1997, and have issued our report thereon dated December 15, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered 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 Prospect Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings.

Our consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control over financial reporting that might be material weaknesses. 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 general purpose 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 is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of Prospect Township, in a separate letter dated December 15, 1999.

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

*Holbrook & Mante, LLP*  
Certified Public Accountants

December 15, 1999  
Marion, Ohio

**SCHEDULE OF FINDINGS**

**PROSPECT TOWNSHIP  
MARION OHIO  
JANUARY 1, 1997 TO DECEMBER 31, 1998**

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

Finding Number	
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**Non-Compliance**

N-1 Section 117.38, Ohio Revised Code, states that cash-basis entities must file annual reports with the Auditor of State within 90 days of the fiscal year end. These reports must be filed on forms prescribed by the Auditor of State. The Township did not file a financial report with the Auditor of State within the Ninety (90) days after the close of the fiscal year.

N-2 Section 5705.41(D), Ohio Revised Code, states that No orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Purchase Orders, which contain the certificate of the fiscal officer, were not properly utilized by the clerk. Purchase Orders should be used and the certificate of the fiscal officer properly authorized for all expenditures.

N-3 Section 117-3-01, Ohio Administrative Code, states that each township is required to employ the uniform system of accounting prescribed in the Ohio Administrative Code. The uniform system of accounting requires that three basic records be maintained. They are the cash journal, the receipts ledger, and the appropriation ledger. These three journals were not properly maintained. These journals should be properly maintained to insure proper accounting techniques and transactions. This problem has been subsequently resolved and the three journals are being properly maintained.

N-4 Section 507.11(B), Ohio Revised Code, states that no money belonging to a township may be paid out except upon an order signed personally by at least two trustees and countersigned by the clerk. Several instances were noted where all three required signatures were not on the orders.

**Reportable Conditions**

R-1 Township financial records were not properly maintained. The internal controls were not operating effectively and significant internal controls were not adequately monitored by Trustees. Reconstruction of the financial records was required.

R-2 Public Employee Retirement System (PERS) funds were not being paid in a timely manner. As a result, not only was the Township behind on its payments, but there were penalties involved. PERS funds should be paid in a timely manner in order to guarantee proper enrollment for employees in the retirement system. This problem has been subsequently resolved and payments are up to date.

R-3 Tax forms 941 were not being completed in a timely manner and the taxes were not being paid in a timely manner. As a result, the Township was behind in payments and there were penalties involved. Form 941 should be complete and filed in a timely manner in order to limit the penalties that are involved. This problem has been subsequently resolved and payments are up to date.

R-4 Township documents were not properly retained. Several of the W-2's, invoices and other miscellaneous documents could not be found. All documentation of relevant importance should be properly retained for future reference.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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PROSPECT TOWNSHIP  
MARION 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: FEBRUARY 22, 2000