



**VALLEY TOWNSHIP  
GUERNSEY COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**VALLEY TOWNSHIP  
TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types – For the Year Ended December 31, 1999 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types – For the Year Ended December 31, 1998 .....	4
Notes to the Financial Statements .....	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings .....	13

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Valley Township  
Guernsey County  
54096 Garvin School Road  
Cumberland, Ohio 43732

To the Board of Trustees:

We have audited the accompanying financial statements of Valley Township, Guernsey County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Valley Township, Guernsey County, as of December 31, 1999 and 1998, 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 July 17, 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 audit committee, the management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

July 17, 2000

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

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$14,841	\$52,465	\$4,555	\$	\$71,861
Intergovernmental	25,972	106,209	4,652		136,833
Licenses, Permits, and Fees		10,725			10,725
Earnings on Investments	1,235	2,472		10	3,717
Other Revenue	2,235	13,509			15,744
<b>Total Cash Receipts</b>	<u>44,283</u>	<u>185,380</u>	<u>9,207</u>	<u>10</u>	<u>238,880</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	40,979				40,979
Public Works		132,643			132,643
Health	251	10,609			10,860
Conservation - Recreation	65				65
Miscellaneous		9,000			9,000
Capital Outlay		76,842			76,842
<b>Total Cash Disbursements</b>	<u>41,295</u>	<u>229,094</u>	<u>0</u>	<u>0</u>	<u>270,389</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>2,988</u>	<u>(43,714)</u>	<u>9,207</u>	<u>10</u>	<u>(31,509)</u>
<b>Other Financing Receipts:</b>					
Proceeds from Sale of Public Debt:					
Sale of Notes		39,000			39,000
<b>Total Other Financing Receipts</b>	<u>0</u>	<u>39,000</u>	<u>0</u>	<u>0</u>	<u>39,000</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements</b>	<u>2,988</u>	<u>(4,714)</u>	<u>9,207</u>	<u>10</u>	<u>7,491</u>
<b>Fund Cash Balances, January 1</b>	<u>21,506</u>	<u>152,032</u>	<u>0</u>	<u>567</u>	<u>174,105</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$24,494</b></u>	<u><b>\$147,318</b></u>	<u><b>\$9,207</b></u>	<u><b>\$577</b></u>	<u><b>\$181,596</b></u>

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

**VALLEY TOWNSHIP  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN FUND CASH BALANCES  
 ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$14,761	\$54,385	\$	\$69,146
Intergovernmental	20,379	155,927		176,306
Licenses, Permits, and Fees		10,985		10,985
Earnings on Investments			8	8
Other Revenue	9,218	27,511		36,729
<b>Total Cash Receipts</b>	<u>44,358</u>	<u>248,808</u>	<u>8</u>	<u>293,174</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	50,243			50,243
Public Works		105,914		105,914
Health		13,500		13,500
Human Services	255			255
Capital Outlay	500	38,004		38,504
<b>Total Cash Disbursements</b>	<u>50,998</u>	<u>157,418</u>	<u>0</u>	<u>208,416</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(6,640)</u>	<u>91,390</u>	<u>8</u>	<u>84,758</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In	2,048	51,193		53,241
Transfers-Out		(53,241)		(53,241)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>2,048</u>	<u>(2,048)</u>	<u>0</u>	<u>0</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(4,592)</u>	<u>89,342</u>	<u>8</u>	<u>84,758</u>
<b>Fund Cash Balances, January 1</b>	<u>26,098</u>	<u>62,690</u>	<u>559</u>	<u>89,347</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$21,506</u></u>	<u><u>\$152,032</u></u>	<u><u>\$567</u></u>	<u><u>\$174,105</u></u>

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



**VALLEY TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Valley Township, Guernsey County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracted with the Village of Pleasant City to provide fire protection services.

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

**B. Basis of Accounting**

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

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

**C. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

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

**VALLEY TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

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

**C. Fund Accounting (Continued)**

**3. Debt Service Funds**

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

Equipment Acquisition Note Retirement Fund - This fund receives gasoline tax money to pay principal and interest payments for the purchase of Township equipment.

**4. Fiduciary Funds (Trust Funds)**

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant Fiduciary Fund:

Crow Trust Fund - This fund receives interest for the beautification and maintenance of Township cemetery lots.

**D. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. 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 approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not use the encumbrance method of accounting.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**E. Property, Plant and Equipment**

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

**VALLEY TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

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

**F. Unpaid Vacation Leave**

Vacation must be taken within the year of eligibility with no carry over nor compensation for unused vacation.

**2. EQUITY IN POOLED CASH**

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

	<u>1999</u>	<u>1998</u>
Demand deposits	<u>\$181,596</u>	<u>\$174,105</u>
Total deposits	<u><u>\$181,596</u></u>	<u><u>\$174,105</u></u>

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation and collateralized by securities specifically pledged by the financial institution to the Township.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1999 and 1998, follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,782	\$44,283	\$5,501
Special Revenue	197,971	224,380	26,409
Debt Service	9,692	9,207	(485)
Fiduciary	15	10	(5)
Total	<u><u>\$246,460</u></u>	<u><u>\$277,880</u></u>	<u><u>\$31,420</u></u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$59,900	\$41,295	\$18,605
Special Revenue	288,997	229,094	59,903
Fiduciary	589	589	589
Total	<u><u>\$349,486</u></u>	<u><u>\$270,389</u></u>	<u><u>\$79,097</u></u>

**VALLEY TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,999	\$46,406	\$6,407
Special Revenue	281,388	300,001	18,613
Fiduciary	25	8	(17)
Total	\$321,412	\$346,415	\$25,003

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$63,300	\$50,998	\$12,302
Special Revenue	212,976	210,659	2,317
Fiduciary	559		559
Total	\$276,835	\$261,657	\$15,178

At December 31, 1998, the Federal Emergency Management Agency Fund expenditures exceeded appropriations.

**4. PROPERTY TAX**

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

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

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

**5. DEBT**

Debt outstanding at December 31, 1999, was as follows:

	Principal	Interest Rate
Equipment Acquisition Notes	\$39,000	4.85%
Total	\$39,000	

**VALLEY TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**5. DEBT (Continued)**

The Equipment Acquisition Notes were issued to finance the purchase of a new backhoe for Township road maintenance. The notes were issued for \$39,000 with annual installments of \$7,800, plus interest, over 5 years. The notes are collateralized solely by the Township's taxing authority.

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

<u>Year ending December 31:</u>	<u>Equipment Acquisition Notes</u>
2000	\$9,692
2001	9,313
2002	8,935
2003	8,557
2004	<u>8,178</u>
Total	<u><u>\$44,675</u></u>

**6. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS contributed 8.5% 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, 1999.

**7. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- Automobile Liability
- Automobile Physical Damage
- General Liability
- Employers Liability and Stop Gap Coverage
- Employee Benefits Liability Coverage
- Cemetery Liability Coverage
- Property Coverage
- Inland Marine Coverage
- Valuable Papers

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

Valley Township  
Guernsey County  
54096 Garvin School Road  
Cumberland, Ohio 43732

To the Board of Trustees:

We have audited the accompanying financial statements of Valley Township, Guernsey County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 17, 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* which are described in the accompanying Schedule of Findings as items 1999-41030-001 and 1999-41030-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 17, 2000.

### 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated July 17, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end of the last name.

**Jim Petro**  
Auditor of State

July 17, 2000



**VALLEY TOWNSHIP  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 and 1998**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-41030-001**

**Noncompliance Citation**

Ohio Rev. Code § 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

The Township failed to utilize purchase orders for all expenditures incurred during the period under audit.

We recommend the Township develop internal control procedures and utilize purchase orders prior to incurring obligations. This will help ensure that monies are available prior to being expended.

**FINDING NUMBER 1999-41030-002**

**Noncompliance Citation**

Ohio Rev. Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

The Township had expenditures that exceeded appropriations in the Federal Emergency Management Agency (FEMA) Fund by \$53,241 in 1998.

We recommend the Township establish internal control procedures to prevent expenditures plus encumbrances from exceeding appropriations throughout the fiscal year.





STATE OF OHIO  
OFFICE OF THE AUDITOR

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800-282-0370

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**VALLEY TOWNSHIP**

**GUERNSEY COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 26, 2000**