



**SANDY TOWNSHIP  
TUSCARAWAS COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2003-2002**



**Auditor of State  
Betty Montgomery**



**SANDY TOWNSHIP  
TUSCARAWAS COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Sandy Township  
Tuscarawas County  
P.O. Box 45  
Sandyville, Ohio 44671

To the Board of Trustees:

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 that our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Sandy Township, Tuscarawas County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2005, 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.

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

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

**Betty Montgomery**  
Auditor of State

April 26, 2005 except for Note 10 which is dated July 6, 2006.

**SANDY TOWNSHIP  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$18,337	\$133,590		\$151,927
Intergovernmental	70,688	63,967		134,655
Special Assessments		6,569		6,569
Licenses, Permits, and Fees		4,875		4,875
Earnings on Investments	10,572	183		10,755
Other Revenue	1,693	13,237		14,930
<b>Total Cash Receipts</b>	<u>101,290</u>	<u>222,421</u>		<u>323,711</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	149,575			149,575
Public Safety	968	30,300		31,268
Public Works	8,278	151,572		159,850
Health	3,500	18,253		21,753
Conservation - Recreation	2,377			2,377
Capital Outlay	31,767			31,767
<b>Total Cash Disbursements</b>	<u>196,465</u>	<u>200,125</u>		<u>396,590</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(95,175)	22,296		(72,879)
Fund Cash Balances, January 1	<u>363,959</u>	<u>118,036</u>	<u>\$20,428</u>	<u>502,423</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$268,784</b></u>	<u><b>\$140,332</b></u>	<u><b>\$20,428</b></u>	<u><b>\$429,544</b></u>
Reserve for Encumbrances, December 31	<u>\$2,975</u>	<u>\$1,011</u>	<u>\$0</u>	<u>\$3,986</u>

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

**SANDY TOWNSHIP  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$14,169	\$132,569	\$10,000	\$156,738
Intergovernmental	343,099	72,517		415,616
Special Assessments		6,773		6,773
Licenses, Permits, and Fees		5,800		5,800
Earnings on Investments	12,939	130		13,069
Other Revenue	3,919	13,849		17,768
<b>Total Cash Receipts</b>	<u>374,126</u>	<u>231,638</u>	<u>10,000</u>	<u>615,764</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	120,807			120,807
Public Safety	986	30,000		30,986
Public Works	9,093	154,341		163,434
Health	1,242	17,679		18,921
Capital Outlay	105			105
<b>Total Cash Disbursements</b>	<u>132,233</u>	<u>202,020</u>		<u>334,253</u>
Total Cash Receipts Over Cash Disbursements	241,893	29,618	10,000	281,511
Fund Cash Balances, January 1	122,066	88,418	10,428	220,912
<b>Fund Cash Balances, December 31</b>	<u><b>\$363,959</b></u>	<u><b>\$118,036</b></u>	<u><b>\$20,428</b></u>	<u><b>\$502,423</b></u>
Reserve for Encumbrances, December 31	<u>\$1,688</u>	<u>\$1,485</u>	<u>\$0</u>	<u>\$3,173</u>

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

**SANDY TOWNSHIP  
TUSCARAWAS COUNTY**

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

**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 Sandy Township, Tuscarawas County, (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 and fire protection. The Township collects a 2 mill levy for the Volunteer Fire Department Contracts to provide fire protection to the residents of the Township.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. 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).

These statements include 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 disbursements investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township invests in certificates of deposit. Certificates of deposit are valued at cost.

**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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**SANDY TOWNSHIP  
TUSCARAWAS COUNTY**

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

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

Fire District Fund - This fund receives tax money from special levies to pay for fire services provided to Township residents.

**3. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects.

**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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not use the encumbrance method of accounting during 2003 and did not encumber all commitments required by Ohio law during 2002. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**SANDY TOWNSHIP  
TUSCARAWAS COUNTY**

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

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

**F. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do 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 statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH**

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

	2003	2002
Demand deposits	\$156,563	\$237,997
Certificates of deposit	272,981	264,426
Total deposits	\$429,544	\$502,423

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation. At December 31, 2003 and 2002, deposits of \$329,544 and \$402,423, respectively, were not insured or collateralized, contrary to Ohio Rev. Code Section 135.18.

**3. BUDGETARY ACTIVITY**

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

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$83,820	\$101,290	\$17,470
Special Revenue	211,165	222,421	11,256
Capital Projects	10,300	0	(10,300)
Total	\$305,285	\$323,711	\$18,426

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$198,638	\$199,440	(\$802)
Special Revenue	273,516	201,136	72,380
Capital Projects	30,728	0	30,728
Total	\$502,882	\$400,576	\$102,306

**SANDY TOWNSHIP  
TUSCARAWAS COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$361,764	\$374,126	\$12,362
Special Revenue	199,672	231,638	31,966
Capital Projects	10,000	10,000	0
Total	\$571,436	\$615,764	\$44,328

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$229,365	\$133,921	\$95,444
Special Revenue	288,091	203,505	84,586
Capital Projects	20,428	0	20,428
Total	\$537,884	\$337,426	\$200,458

**4. NONCOMPLIANCE**

Contrary to Ohio Rev. Code Section 5705.41(D), the Township did not always certify all purchases prior to incurring the commitments.

Contrary to Ohio Rev. Code Section 135.18, the Township did not have sufficient collateral coverage for all Township funds.

Contrary to Ohio Rev. Code Section 9.38, the Township did not deposit with the Clerk or designated depository within 24 hours of collections.

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

**SANDY TOWNSHIP  
TUSCARAWAS COUNTY**

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

**6. RETIREMENT SYSTEM**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2003 and 2002, members of OPERS contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**8. CONTINGENT LIABILITIES**

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

**9. JOINTLY GOVERNED ORGANIZATION**

**Tuscarawas County Regional Planning Commission (Commission)**

The Township is associated with the Tuscarawas County Regional Planning Commission as a Jointly Governed Organization. The Commission is a statutorily created political subdivision of the State.

The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economical and governmental characteristics, functions and services of the county.

**10. SUBSEQUENT EVENTS**

The Township Trustees contracted with an outside contractor to perform the duties of a township clerk due to the former Clerk resigning as of January 25, 2005. The outside contractor was the Township Clerk prior to her retirement in September 2002.

On July 6, 2006, Amy Woods, former Clerk, was ordered to pay \$39,182, in restitution to the Township as part of her sentence for conviction on two counts of theft in office.

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**Auditor of State  
Betty Montgomery**

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

Sandy Township  
Tuscarawas County  
P.O. Box 45  
Sandyville, Ohio 44671

To the Board of Trustees:

We have audited the financial statements of Sandy Township, Tuscarawas County, Ohio, (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 26, 2005 except for Note 10 which is dated July 6, 2006, wherein 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audits 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 audits, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine 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 reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-007 and 2003-008.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. We consider reportable condition 2003-007 listed above to be material weakness. In a separate letter to the Township's management dated April 26, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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### **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 audits and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 through 2003-006. In a separate letter to the Township's management dated April 26, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

April 26, 2005

**SANDY TOWNSHIP  
TUSCARAWAS COUNTY**

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

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

**Finding for Recovery**

**FINDING NUMBER 2003-001**

**Unauthorized Compensation of Former Clerk**

**Ohio Rev. Code Section 507.09** provides that a township clerk shall be entitled to compensation based on the Township's budget. According to 1999 Op. Att'y Gen. No. 99-015 the issue of the definition of "budget" for the purposes of Ohio Rev. Code Section 507.09 states "For the purposes of calculating the authorized compensation of the township clerk pursuant to R.C. 507.09, the term "budget" refers to the total amount of resources available to the township pursuant to the official certificate of estimated resources or amendments to the certificate."

For the period from January 1, 2003 through December 31, 2004, the Township's former Clerk, Amy Woods, received compensation in excess of her authorized annual rates in the amount of \$38,182.41. We identified the following over compensation:

<u>Fiscal Year</u>	<u>Authorized Amount</u>	<u>Amount Paid</u>	<u>Overcompensation Amount</u>
2003	\$12,542	\$24,023.52	\$11,481.52
2004	15,396	42,096.89	<u>26,700.89</u>
			<u>\$38,182.41</u>

The former Clerk was bonded by the Western Surety Company during this period in the amount of \$1,000.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, Findings for Recovery for public money illegally expended are hereby issued, jointly and severally, against former clerk Amy Woods and her bonding company, Western Surety Company, in the amount of \$38,182.41 and in favor of the Sandy Township's General Fund.

**FINDING NUMBER 2003-002**

**Monies Collected but Unaccounted for by Former Clerk**

**Ohio Rev. Code Section 9.39** states all public officials are liable for all public money received or collected by them or by their subordinates under color of office.

Through testing of the Zoning and the Cemetery receipts, we noted the following receipt shortage:

For the period from January 1, 2002 through December 31, 2003, the duplicate Zoning Receipts for permits prepared by the Zoning Inspector was expected to be \$420 for 2002 and \$410 for 2003. An amount collected of \$25 was never recorded in the Township's receipt ledger, nor deposited in the Township's bank account for 2002 along with an amount of \$195 for 2003 for a total amount of \$220.

**Finding for Recovery (Continued)**

**FINDING NUMBER 2003-002 (Continued)**

For the period from January 1, 2003 through December 31, 2003, the Clerk collected \$850 from the Cemetery's burial transit permits which was never recorded in the Township's receipt ledger, nor deposited in the Township's bank account.

The former clerk was bonded by the Western Surety Company during this period in the amount of \$1,000.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, Findings for Recovery for public money collected but not accounted for are hereby issued, jointly and severally, against former clerk Amy Woods and her bonding company, Western Surety Company, in the amount of \$220 in favor of the Sandy Township's General Fund and \$850 in favor of the Sandy Township's Special Revenue Cemetery Fund.

**Finding for Recovery Repaid Under Audit**

**FINDING NUMBER 2003-003**

**Unauthorized Compensation of Trustees**

**Ohio Rev. Code Section 505.24** provides that a township trustee shall be entitled to compensation based on the Township's budget. According to 1999 Op. Att'y Gen. No. 99-015 the issue of the definition of "budget" for the purposes of Ohio Rev. Code Section 505.24 stated "For the purposes of calculating the authorized compensation of the township trustees pursuant to R.C. 505.24, the term "budget" refers to the total amount of resources available to the township pursuant to the official certificate of estimated resources or amendments to the certificate."

For the period from January 1, 2003 through December 31, 2003, the Township Trustees; Leland Swinford, George Hysong, and Donald Steinbaugh, received compensation in excess of their authorized annual rates by \$1,023.96, \$1,023.96, and \$1,024.08, respectively. We identified the following over compensation:

<u>Payee</u>	<u>Overcompensation Fiscal Year</u>	<u>Authorized Amount</u>	<u>Amount Paid</u>	<u>Overcompensation Amount</u>
Leland Swinford	2003	\$7,980.00	\$9,003.96	\$1,023.96
George Hysong	2003	7,980.00	9,003.96	1,023.96
Donald Steinbaugh	2003	7,980.00	9,004.08	1,024.08

Trustees Hysong and Steinbaugh were bonded by the Western Surety Company during this period in the amount of \$1,000. Trustee Swinford was bonded by the Western Surety Company during this period in the amount of \$5,000

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, Findings for Recovery for public money illegally expended are hereby issued jointly and severally against each of the aforementioned Trustees and their bonding company, Western Surety Company, along with the former clerk, Amy Woods, and her bonding company, Western Surety Company, in the aforementioned respective amounts and in favor of the Sandy Township's General Fund.

Trustees Swinford and Hysong each repaid the \$1,023.96 to the Township on August 22, 2006. Trustee Steinbaugh repaid the \$1,024.08 to the Township on August 29, 2006.

### Noncompliance Citation

#### FINDING NUMBER 2003-004

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

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.

**A. "Then and Now" Certificates** - 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 (\$1,000 prior to April 7, 2003) 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.

**B. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months). 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.

**C. 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. The certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

For the fiscal year 2003, 756 out of 756 (100%) and for 2002, 11 out of 71 (15%) of the expenditures tested, were not certified by the Clerk prior to incurring the obligation. It was also found that none of the exceptions above were utilized for the items found to be in noncompliance. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance.

**Noncompliance Citation (Continued)**

**FINDING NUMBER 2003-004 (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 control over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Clerk should certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

**FINDING NUMBER 2003-005**

**Ohio Rev. Code Section 135.18** requires the treasurer of any public subdivision to require all depositories holding public funds to provide security for those public funds in an amount equal to the amount of deposit with the institution.

During 2003 and 2002, the Township had funds on deposit with its financial institution which were not collateralized. The amount not collateralized ranged from \$329,544 in December 2003 to \$445,244 in August 2002. To ensure public deposits are secured by either the federal deposit insurance, surety company bonds, or pledged securities, the Clerk should require the financial institution provide security for all public funds deposited.

**FINDING NUMBER 2003-006**

**Ohio Rev. Code Section 9.38** indicates that monies should be deposited with the Township Clerk or designated depository within 24 hours of collection and requires that monies be deposited on the next business day if the daily receipt amounts exceed \$1,000. If daily receipts do not exceed \$1,000 and the receipts can be safeguarded, the public office may adopt a policy permitting their officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it.

For 2003, 91 out of 98 (93%) and for 2002, 19 out of 72 (26%) of the receipts related to intergovernmental, taxes, zoning, and cemetery were not deposited with the Clerk or designated depository for a period ranging between 4 to 50 days after initial receipt of the money. Delays of this nature could cause Township daily receipts to be lost or misplaced without being detected in a timely manner. The Township should properly safeguard receipts and implement Ohio Rev Code Section 9.38 relative to depositing requirements and procedures.

**Material Weakness**

**FINDING NUMBER 2003-007**

**Bank Reconciliations**

The Clerk did not reconcile the Township's bank account to the Township's records on a timely basis nor were all applicable reconciling items integrated into the reconciliation process. Additionally, even when the reconciliation was prepared, not all outstanding checks were listed nor were voided checks identified. Consequently, an un-reconciled difference ranging from a negative \$4,372 to a positive \$40,411 existed between the Township's UAN accounting system balances and the bank and investment account balances. The differences can also be attributed to the accrued interest on certificates of deposits not posted to the UAN accounting system, bank errors, and off-book activity.

**Material Weakness (Continued)**

**FINDING NUMBER 2003-007 (Continued)**

**Bank Reconciliations (Continued)**

To ensure the books of record match the bank balances, monthly reconciliations should be performed. To improve the monthly reconciliation process, the Clerk should complete the monthly reconciliations and retain the supporting documentation in an orderly manner and perform the following:

- Ensure the monthly bank reconciliations are prepared timely (i.e., soon after the monthly bank statement is received).
- Ensure all applicable reconciling items (i.e., earned interest not posted, deposits in transit, Non-Sufficient Funds (NSF) checks, etc.) are incorporated into the monthly bank and investment reconciliation, including using the correct depository and investment balances.
- Compare the current month's outstanding checklist to the previous months' for errors and omissions.
- Establish a policy regarding stale dated checks. In order to account for the funds properly, the Township should place the monies in an Unclaimed Monies Fund (an Expendable Trust Fund) for a specified period of time. After the specified time has elapsed, the money should then revert back to the General Fund, if monies have not been claimed.
- Utilize the difference between the matured investment balance and the original purchase price to record investment interest.
- Prepare and record all the receipt and expenditure activity to the UAN accounting system timely. In addition, the use of manual checks should be minimized.
- The Clerk should include corrections of errors in the current month's reconciliation rather than including the amount in the "plug-figure" so proper follow-up procedures can be made with the bank.

This will help ensure the Township receipt and expenditure activity is properly recorded and that all reconciling items are properly supported to minimize the risk of loss. In addition, the Board can improve the reconciliation process by reviewing the monthly reconciliations, questioning any reconciling items and documenting their review in the minutes; and, on a test basis, review in detail the checks written by the Township for unusual disbursements.

**Reportable Condition**

**FINDING NUMBER 2003-008**

**Estimated Receipt Reporting**

During 2002, the Final Amended Certificate of Estimated Resources certified by the County Budget Commission and maintained by the Clerk did not agree to the UAN accounting system. The Estimated Receipts – Amended Certificate of Resources on the year end Comparison of Budgeted and Actual Receipts – All Budgeted Funds report obtained from UAN reflected the following variances within the respective funds:

<u>Fiscal Year 2002</u>	<u>Estimated Receipts on UAN</u>	<u>Certified Estimated Resources</u>	<u>Variance</u>
General Fund	\$ 456,136	\$ 483,681	\$ (27,545)
Special Revenue Funds:			
- Motor Vehicle	9,683	14,443	(4,760)
- Gasoline	51,826	59,964	(8,138)
- Road & Bridge	86,931	94,054	(7,123)
- Cemetery	17,033	4,087	12,946
- Fire	46,480	69,842	(23,362)
- Sandyville Lighting	5,804	7,223	(1,419)
- Zoarville Lighting	1,377	2,476	(1,099)
Capital Projects Fund	10,000	20,428	(10,428)

During 2003, the Clerk did not post Estimated Resources certified by the Budget Commission to the UAN accounting system. As a result, the accounting system does not accurately reflect budget revenue activity for those years.

The Clerk should ensure the Amended Certificate of Estimated Resources certified by the County Budget Commission and maintained by the Clerk agrees to the Estimated Receipts – Amended Certificate of Resources on the Comparison of Budgeted and Actual Receipts – All Budgeted Funds report and the UAN accounting system. UAN budgetary reports should be updated promptly to ensure the schedules accurately reflect all budget revenue activity.

**Officials' Response:** We did not receive a response from officials to the findings reported above.

**SANDY TOWNSHIP  
TUSCARAWAS COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2001-41279-001	Ohio Rev. Code Section 5705.38 appropriation measure passed and 5705.41(B) expending money which is not appropriated.	Yes	





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**SANDY TOWNSHIP  
TUSCARAWAS 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 28, 2006**