



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

HICKSVILLE TOWNSHIP
DEFIANCE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000	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
Schedule of Prior Audit Findings	18

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Hicksville Township
Defiance County
04386 State Route 18
Hicksville, Ohio 43526-9734

To the Board of Trustees:

We have audited the accompanying financial statements of Hicksville Township (the Township) as of and for the years ended December 31, 2001 and 2000. 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 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 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 the Township as of December 31, 2001 and 2000, 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 May 8, 2002, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Hicksville Township
Defiance County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of management, the Board 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". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

May 8, 2002

**HICKSVILLE TOWNSHIP
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$22,085	\$55,995	\$78,080
Intergovernmental	70,574	63,368	133,942
Licenses, Permits, and Fees	2,337		2,337
Earnings on Investments	250		250
Other Revenue	1,126	5,730	6,856
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	96,372	125,093	221,465
Cash Disbursements:			
Current:			
General Government	47,897		47,897
Public Safety		18,555	18,555
Public Works	25,000	83,011	108,011
Health	13,000		13,000
Conservation - Recreation	3,000		3,000
Debt Service:			
Redemption of Principal	5,000		5,000
Interest and Fiscal Charges	253		253
Capital Outlay	16		16
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	94,166	101,566	195,732
Total Cash Receipts Over Cash Disbursements	<hr/>	<hr/>	<hr/>
	2,206	23,527	25,733
Other Financing Receipts:			
Proceeds from Sale of Public Debt:			
Sale of Notes	5,000		5,000
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	7,206	23,527	30,733
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	5,005	19,528	24,533
Fund Cash Balances, December 31	<hr/> \$12,211 <hr/>	<hr/> \$43,055 <hr/>	<hr/> \$55,266 <hr/>

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

**HICKSVILLE TOWNSHIP
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$19,497	\$53,902	\$73,399
Intergovernmental	94,965	65,921	160,886
Licenses, Permits, and Fees	2,196		2,196
Earnings on Investments	366		366
Other Revenue	4,513	950	5,463
	<u>121,537</u>	<u>120,773</u>	<u>242,310</u>
Total Cash Receipts			
	<u>121,537</u>	<u>120,773</u>	<u>242,310</u>
Cash Disbursements:			
Current:			
General Government	31,957		31,957
Public Safety		18,555	18,555
Public Works	99,849	101,794	201,643
Health	13,000		13,000
Capital Outlay	1,325		1,325
	<u>146,131</u>	<u>120,349</u>	<u>266,480</u>
Total Cash Disbursements			
	<u>146,131</u>	<u>120,349</u>	<u>266,480</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(24,594)	424	(24,170)
Fund Cash Balances, January 1	<u>29,599</u>	<u>19,104</u>	<u>48,703</u>
Fund Cash Balances, December 31	<u><u>\$5,005</u></u>	<u><u>\$19,528</u></u>	<u><u>\$24,533</u></u>

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

**HICKSVILLE TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Hicksville Township, Defiance 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 road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with Hicksville Village to provide fire 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. 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.

C. Cash and Investments

The Township had no investments during the audit period.

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 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:

Fire Levy Fund - This fund receives property tax money for providing fire protection to Township residents.

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

HICKSVILLE TOWNSHIP
DEFIANCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)

E. Budgetary Process

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

1. Appropriations

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. 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.

2. EQUITY IN POOLED CASH

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

	<u>2001</u>	<u>2000</u>
Demand deposits	<u>\$55,266</u>	<u>\$24,533</u>

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000, follows:

**HICKSVILLE TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$101,372	\$101,372
Special Revenue		125,093	125,093
Total		\$226,465	\$226,465

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$94,166	(\$94,166)
Special Revenue		101,566	(101,566)
Total		\$195,732	(\$195,732)

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,773	\$121,537	\$43,764
Special Revenue	194,094	120,773	(73,321)
Total	\$271,867	\$242,310	(\$29,557)

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$146,131	(\$146,131)
Special Revenue		120,349	(120,349)
Total		\$266,480	(\$266,480)

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.

**HICKSVILLE TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

Public utilities are also taxed on personal and real property located within the Township.

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

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

5. RETIREMENT SYSTEMS

The Township's 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 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000, through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000, through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

7. COMPLIANCE

Taxes and intergovernmental revenue were deposited into funds inconsistent with their legally restricted purpose, contrary to Ohio Revised Code § 5705.10.

The Township did not complete the required Certificate of the *Total Amount from All Sources Available for Expenditures, and Balances* for 2001, contrary to Ohio Revised Code § 5705.36.

**HICKSVILLE TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

The Township did not pass an annual appropriation measure for 2001 or 2000, contrary to Ohio Revised Code § 5705.38. Legally adopted appropriations varied from the appropriations booked by the Clerk for all funds in both 2001 and 2000, contrary to Ohio Revised Code § 5705.40.

Expenditures exceeded appropriations for all funds in both 2001 and 2000, contrary to Ohio Revised Code § 5705.41(B).

The Clerk received an in-term increase in salary in the amount of \$299.25, contrary to Ohio Const. Art. II, Section 20.

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

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

Hicksville Township
Defiance County
04386 State Route 18
Hicksville, Ohio 43526-9734

To the Board of Trustees:

We have audited the financial statements of Hicksville Township (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 8, 2002. 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.

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 audits 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 2001-40120-001, 2001-40120-002, 2001-40120-003, 2001-40120-004, and 2001-40120-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 8, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 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 the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-40120-006, 2001-40120-007, and 2001-40120-008.

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 weaknesses. However, of the reportable conditions described above, we consider item 2001-40120-006 to be a material weakness. We also 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 May 8, 2002.

This report is intended for the information and use of 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", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

May 8, 2002

**HICKSVILLE TOWNSHIP
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-40120-001

Finding Repaid Under Audit

Ohio Const., Article II, Section 20, prohibits public officials from receiving increases in compensation in the middle of a term of office. Further, Am. Sub H.B. No. 408, 1996, amended Ohio Revised Code §507.09 to increase the compensation of Township Clerks effective only for those officials who took office after May 8, 1996. The Clerk's prior term of office began on April 1, 1996, thus not entitling him to an increase in compensation under House Bill 408 until April 1, 2000. He was paid the higher rate of pay specified in House Bill 408 for the first three months of 2000. This resulted in an overpayment of \$299.25. Based on the forgoing facts, a finding for recovery is hereby issued against Donald Brown, Former Clerk, and Government Risk Management, holder of the Township's Public Officials' Liability Coverage, jointly and severally, in the amount of \$299.25, in favor of the General Fund.

Donald Brown reimbursed the Township \$299.25 on May 8, 2002.

FINDING NUMBER 2001-40120-002

Noncompliance Citation

Ohio Revised Code § 5705.10 requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. During both years under audit, the Clerk deposited taxes and intergovernmental revenue into funds inconsistent with their legally restricted purpose, as indicated below:

<u>Fund</u>	<u>Total Revenue as Originally Booked</u>	<u>Total Revenue as Adjusted per Audit</u>	<u>Difference</u>
2001			
General Fund	\$102,924	\$101,372	\$1,552
Road and Bridge Fund	32,048	31,147	901
Fire Levy Fund	21,407	23,860	(2,453)
2000			
General Fund	132,023	121,537	10,486
Motor Vehicle License Tax Fund	13,330	10,295	3,035
Gasoline Tax Fund	45,556	51,299	(5,743)
Road and Bridge Fund	16,973	25,069	(8,096)
Fire Levy Fund	9,162	23,423	(14,261)
Permissive Motor Vehicle Fund	14,520	10,687	3,833
Issue II Capital Projects	11,871		11,871

FINDING NUMBER 2001-40120-002
(Continued)

Failure to properly report the revenue activity in the Township's funds could cause management to draw incorrect conclusions regarding the Township's fiscal position. It may also allow legally restricted revenues to be spent on unallowable items or services.

We recommend that tax revenue received from the County auditor be booked strictly in accordance with the corresponding settlement sheet. Auditor and treasurer fees should also be appropriately booked as disbursements in the funds identified on the settlement sheet. Further, intergovernmental revenue received from the County auditor should be deposited only to the fund indicated on the County auditor's check stub. The accompanying financial statements have been adjusted to reflect the revenue in the correct funds.

FINDING NUMBER 2001-40120-003

Noncompliance Citation

Ohio Revised Code § 5705.36 requires that on or about the first day of each fiscal year, the fiscal officer of each subdivision shall certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget. The amount certified shall include any unencumbered balances that existed at the end of the preceding year. The budget commission, taking into consideration the balances and revenues to be derived from taxation and other sources, shall revise its estimate of the amounts that will be credited to each fund from such sources, and shall certify to the taxing authority of each subdivision an amended official certificate of estimated resources.

The Township did not complete and file the required *Certificate of the Total Amount from All Sources Available for Expenditures, and Balances* for 2001. As a result, the budget commission was unable to prepare and certify to the Township an amended official certificate of estimated resources. Not preparing and filing these official documents make it difficult for Township officials to estimate how much will be available for expenditure during any given year. We recommend that this required budgetary document be prepared by the Clerk, approved by the Trustees in the minute record, and filed with the County auditor prior to the required deadline every year.

FINDING NUMBER 2001-40120-004

Noncompliance Citation

Ohio Revised Code § 5705.38 requires an appropriation measure to be passed on or about the first day of each fiscal year. Further, Ohio Revised Code § 5705.40 provides that appropriation measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. The Clerk entered appropriation amounts in the disbursement ledger, and made numerous appropriation amendments, without obtaining the Trustees' approval. Lack of Trustee approval for annual appropriations increases the risk that the Township may make expenditures in excess of available fund balances. Further, it does not allow the Board to adequately monitor budgeted versus actual disbursements. We recommend that the original appropriation measure be prepared by the Clerk, approved by the Trustees in the minute record, and filed with the County auditor prior to the required deadline every year. The Clerk should only make amendments to the original appropriation measure after obtaining formally documented approval of the Trustees.

FINDING NUMBER 2001-40120-005

Noncompliance Citation

Ohio Revised Code 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. As noted in Finding Number 2001-40120-005, appropriations were never adopted by the Board of Trustees in 2001 or 2000. Consequently, expenditures were made without appropriation authority in all funds as indicated below:

Fund	Appropriations	Expenditures	Variance
2001			
General Fund		\$94,166	(\$94,166)
Motor Vehicle License Tax Fund		8,665	(8,665)
Gasoline Tax Fund		44,732	(44,732)
Road and Bridge Fund		14,829	(14,829)
Fire Levy Fund		18,555	(18,555)
Permissive Tax Fund		14,785	(14,785)
2000			
General Fund		146,131	(146,131)
Motor Vehicle License Tax Fund		18,488	(18,468)
Gasoline Tax Fund		56,056	(56,056)
Road and Bridge Fund		17,303	(17,303)
Fire Levy Fund		18,555	(18,555)
Permissive Tax Fund		9,967	(9,967)

Expenditures in excess of appropriations may result in deficit spending. We recommend that expenditures and appropriations be frequently reviewed by the Trustees and the necessary adjustments be made to prevent expenditures from exceeding appropriations. These adjustments should be formally approved by the Trustees in the minutes and the Clerk should only make amendments to the Uniform Accounting Network (UAN) appropriations ledger based on these formally documented approvals.

FINDING NUMBER 2001-40120-006

Material Weakness - Monitoring Financial Activity

In an entity the size of Hicksville Township, it is difficult and usually not cost effective to employ all basic internal accounting controls necessary to provide management with reasonable assurance that all related procedures are functioning properly. The Clerk is responsible for all functions relating to the accounting records. Without proper separation of duties, there is the possibility that errors or irregularities could occur and not be detected in a timely period. Under such circumstances sound accounting practices require regular and thorough monitoring of the Township's financial activity by the Board of Trustees.

FINDING NUMBER 2001-40120-006
(Continued)

The following actions routinely occurred without the apparent knowledge or approval of the Trustees:

- Receipts were posted to incorrect funds;
- Receipts were recorded prior to actual receipt of funds;
- Expenditures were paid out of inconsistent or inappropriate accounts;
- Unsubstantiated adjustments were made to fund balances;
- Unapproved appropriations and amendments were entered into the computer system; and,
- Bank reconciliations exhibited unresolved discrepancies

To strengthen internal accounting controls and to help ensure that Township resources are being effectively and efficiently utilized, the Board of Trustees should review monthly financial statements and ascertain that proper procedures are being followed, and determine that the financial statements are corroborated by adequate supporting documentation. To achieve this, at a minimum, the following should be performed:

- Review the reconciliation of the bank statement with the cashbook balance to ensure that the amounts correspond, and that the balance of the cashbook includes all active money under the control of the Township.
- Review the following month's bank statement to verify that the prior month's reconciling items, such as deposits in-transit and outstanding checks were accurately stated.
- Verify that fund balances at the beginning of the month agree to the prior month's ending fund balances.
- Review billings from vendors, retirement systems, payroll withholdings, insurance, and etcetera, to ensure that the obligations of the Township are being paid in a consistent manner in accordance with the Board's intentions.

Review reports that compare actual revenues and expenditures to budgeted amounts at the legal level of control. This would help ensure that Board adopted budgets are being adequately followed and, where necessary, amended to reflect changes in the Township's financial state.

Compare budgeted revenue and disbursements entered into the Township's computer system to amounts legally adopted by the Trustees.

In addition to performing the above procedures, the Trustees' signatures or initials should be affixed to the documents reviewed or other evidence should be retained documenting such reviews were performed. Approval of these financial statements by the Trustees should also be reflected in the minute record on a monthly basis.

FINDING NUMBER 2001-40120-007

Reportable Condition - Supporting Documentation for Disbursements

Sound accounting practices require that all disbursements be supported by an original invoice or similar document. In 13% of the vouchered disbursements tested, supporting documentation could not be located in the Township's files. In other instances, supporting documentation consisted of a billing statement; however, no corresponding invoice was attached. This procedure may allow an expenditure to be made for an item or service which is not a proper public purpose, or illegal. We recommend that all disbursements be supported by an original invoice. The Township should not make payments from a billing statement or a duplicate invoice.

FINDING NUMBER 2001-40120-008

Reportable Condition - Estimated Revenue Posting

The budgeted amounts of receipts listed in the Township's financial records differed from amounts legally approved. Estimated resources booked in the Township's ledgers should reflect amounts approved by the County budget commission and the Trustees. The Clerk made several changes to estimated receipts during 2000 which were not legally approved. In 2001, estimated revenue amounts were entered into the Township's ledgers, even though no approval existed for the original estimate or for subsequent amendments. This could result in deficit spending. We recommend that estimated revenue amounts initially booked in the Township's ledgers, and all subsequent amendments, be specifically approved by the Trustees and the County budget commission.

**HICKSVILLE TOWNSHIP
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-40120-001	Ohio Revised Code §5705.40, Clerk made changes to appropriations with no Trustee approval	No	Not corrected. Reissued as finding 2001-40120-005
1999-40120-002	Ohio Revised Code §5705.41(B), Expenditures in excess of appropriations	No	Not corrected. Reissued as finding 2001-40120-006
1999-40120-003	Ohio Revised Code §5705.41(D)	Yes	Fully corrected.
1999-40120-004	Recommendation that the Trustees monitor financial activity	No	Not corrected. Reissued as finding 2001-40120-007
1999-40120-005	Recommendation that all adjustments to fund balances be approved by Trustees	No	Partially corrected. Reissued as management letter recommendation
1999-40120-006	Recommendation that bank balances be reconciled to book balances prior to closing that month's activity	No	Partially corrected. Reissued as management letter comment.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

HICKSVILLE TOWNSHIP

DEFIANCE 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
JUNE 18, 2002**