

OHIO TOWNSHIP

Gallia County, Ohio

Regular Audit

For the Years Ended December 31, 2003 and 2002

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

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**Auditor of State
Betty Montgomery**

Board of Trustees
Ohio Township
14038 Hannan Terrace Road
Crown City, Ohio 45623

We have reviewed the *Independent Auditor's Report* of Ohio Township, Gallia County prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 7, 2005

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**OHIO TOWNSHIP
GALLIA COUNTY**

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

Ohio Township
Gallia County
14038 Hannan Terrace Road
Crown City, Ohio 45623

To the Board of Trustees:

We have audited the accompanying financial statements of Ohio Township, Gallia County, Ohio (the Township), as of and for the years then 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.

Except as discussed in the following paragraph, we conducted our audit 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 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.

We were unable to support payroll disbursements for the period of January 1, 2002 to December 31, 2003. This was a result of the Clerk not maintaining adequate payroll ledgers.

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, except for the effect of such adjustments, if any, that might have been required had we been able to examine sufficient evidence to support payroll disbursements, the financial statements referred to above presents fairly, in all material respects, the combined fund cash balances of Ohio Township, Gallia County, as of December 31, 2003 and 2002, and its 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 November 24, 2004 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 audit.

Ohio Township
Gallia County
Independent Accountants' Report
Page 2

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.

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

November 24, 2004

**OHIO TOWNSHIP
GALLIA 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$8,504	\$13,881	\$22,385
Intergovernmental	17,717	79,318	97,035
Earnings on Investments	172	128	300
Miscellaneous	2,613	792	3,405
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	29,006	94,119	123,125
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	12,963	0	12,963
Public Safety	0	25,000	25,000
Public Works	0	58,640	58,640
Capital Outlay	4,000	0	4,000
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	16,963	83,640	100,603
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under)Cash Disbursements	12,043	10,479	22,522
	<hr/>	<hr/>	<hr/>
Other Financing Receipts/(Disbursements)			
Advances In	25,000		25,000
Advances Out		(25,000)	(25,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	25,000	(25,000)	0
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	37,043	(14,521)	22,522
Fund Cash Balances, January 1	(15,661)	67,578	51,917
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$21,382</u>	<u>\$53,057</u>	<u>\$74,439</u>

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

**OHIO TOWNSHIP
GALLIA 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$8,593	\$13,350	\$21,943
Intergovernmental	17,666	115,129	132,795
Earnings on Investments	253	130	383
Other Revenue	411	844	1,255
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	26,923	129,453	156,376
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	29,538		29,538
Public Safety		5,000	5,000
Public Works		114,899	114,899
Debt Service:			
Redemption of Principal			0
Capital Outlay			0
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	29,538	119,899	149,437
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(2,615)	9,554	6,939
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	(13,046)	58,024	44,978
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>(\$15,661)</u>	<u>\$67,578</u>	<u>\$51,917</u>

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

**OHIO TOWNSHIP
GALLIA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Ohio Township, Gallia 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 and a publicly elected Clerk. The Township provides road and bridge maintenance, cemetery maintenance and fire protection.

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. 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:

Motor Vehicle License Tax Fund- This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

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

**OHIO TOWNSHIP
GALLIA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 2003 and 2002 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.

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>2003</u>	<u>2002</u>
Demand deposits	<u>\$73,416</u>	<u>\$51,600</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

**OHIO TOWNSHIP
GALLIA COUNTY**

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

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 43,954	\$ 54,006	\$ 10,052
Special Revenue	73,197	94,119	20,922
Total	\$ 117,151	\$ 148,125	\$ 30,974

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 56,917	\$ 16,963	\$ 39,954
Special Revenue	124,800	108,640	16,160
Total	\$ 181,717	\$ 125,603	\$ 56,114

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 22,984	\$ 26,923	\$ 3,939
Special Revenue	98,301	129,453	31,152
Total	\$ 121,285	\$ 156,376	\$ 35,091

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 47,358	\$ 29,538	\$ 17,820
Special Revenue	157,947	119,899	38,048
Total	\$ 205,305	\$ 149,437	\$ 55,868

The Township did not encumber funds contrary to Ohio law for the years ended December 31, 2003 and 2002.

**OHIO TOWNSHIP
GALLIA COUNTY**

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

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.

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. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
General Obligation Note	\$1,398	0.00%
Total	\$1,398	

The General Obligation Loan relates to the Fire Truck joint contract with two other Townships. A loan agreement was signed with two other Townships for \$11,187 each, due in annual installments over 8 years. The first payment was made December 30, 1999. Because the Township paid 3 payments per year during 2000 and 2001, during 2002 and 2003 no payments were due by the Township. The next payment is not due until December 2006 which is the final payment.

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

	General Obligation Notes
Year ending December 31: 2006	\$1,398
Total	\$1,398

**OHIO TOWNSHIP
GALLIA COUNTY**

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

6. RETIREMENT SYSTEMS

The Township's elected officials and 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. The Clerk did not maintain adequate support documentation for payroll related withholdings and we could not verify if all payments required were remitted to PERS. Also, the Clerk did not make PERS payments in 2003. As a result the Public Employees Retirement System has begun to seize the Township Local Government monies effective September 20, 2002 from the Gallia County Auditor's Office prior to them being sent to the Township. These seizures are based solely on estimates.

7. RISK POOL MEMBERSHIP

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31:

**OHIO TOWNSHIP
GALLIA COUNTY**

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

7. RISK POOL MEMBERSHIP (Continued)

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	<u>(11,791,30)</u>	<u>(9,197,512)</u>
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	<u>(750,956)</u>	<u>(1,204,326)</u>
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

8. CONTINGENT LIABILITIES

The Township Clerk did not properly maintain payroll records such as State and Federal Tax withholdings. We were able to determine that the Township stopped making retirement and other withholdings to the proper agencies prior to the audit period. We were unable to determine the amount of underpayment since the Clerk only maintained net payroll checks. This apparent underpayment represents a potential substantial liability to the Township.

9. DEFICIT FUND BALANCES

At December 31, 2002, the Township's General Fund had a negative cash fund balance of (\$15,661.50), contrary to provisions of Ohio Rev. Code Section 5705.10.

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Ohio Society of Certified Public Accountants

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

Ohio Township
Gallia County
14028 Hannan Terrace Road
Crown City, Ohio 45623

To the Board of Trustees:

We have audited the accompanying financial statements of Ohio Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated November 24, 2004, wherein we noted there was insufficient evidence to support payroll disbursements. We conducted our audit 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 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 2002-001 through 2002-004 and 2002-006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted 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. A reportable condition is described in the accompanying Schedule of Findings as item 2002-005.

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 did not consider any of the items to be material weaknesses.

This report is intended solely 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 cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

November 24, 2004

**OHIO TOWNSHIP
GALLIA COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code Section 145.48(A) states that each employer shall pay to the public retirement system an amount that shall be a certain percent of the earnable salary of all contributions to be known as the "employer contribution," except that the public employer retirement board may raise the employer contribution to a rate not to exceed fourteen percent of the earnable salaries of all contributors.

The Township did not make PERS payments in 2002. We also could not determine if the proper amount of PERS withholdings were being sent since the Clerk did not maintain proper withholding forms and a payroll ledger in 2002 or 2003. The Public Employees Retirement System has begun to seize the Townships Local Government monies, effective September 20, 2002, as they come to the Gallia County Auditor. Their seizures are based on estimates of underpayment based on historical data.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same 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. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- B. Amounts of less than \$1,000, which was increased to \$3,000 on April 7, 2003, for political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

One hundred percent of expenditures were not certified prior to the purchase commitment being made. By not certifying funds prior to a purchase commitment, this may cause the Township to obligate money it does not have.

We recommend the Township certify funds prior to an obligation being incurred.

**OHIO TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 and 2002
(Continued)**

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

FINDING NUMBER 2002-003

Noncompliance Citation

Internal Revenue Code (IRC) Chapter 26 [26 U.S.C.] ' 3402 and ' 3403 provide that the Clerk calculate, withhold, and remit certain portions of gross pay from employees compensation and report and pay that amount to the Internal Revenue Service.

The Clerk did not pay Federal Income Tax withholdings for any part of 2002 or 2003.

We recommend that the Clerk maintain proper payroll records to calculate deductions and pay withholdings of income tax to the appropriate authority when due.

FINDING NUMBER 2002-004

Noncompliance Citation

Ohio Admin. Code Section 5703-7-06 requires that for purposes of withholding the Ohio personal income tax, as required by Ohio Rev. Code Section 5747.06, Ohio employers and employees shall utilize Ohio Forms IT-4. The number of personal exemptions to which an employee is entitled will be determined only from a properly completed IT-4, and if such form is not properly completed and filed with the employer, the employer will withhold the Ohio personal income tax without exemptions.

There were no IT-4 forms presented for audit for the Township officials or employees. Income tax was withheld for 2002 or 2003, but we could not determine if the proper amount was remitted due to the lack of supporting payroll records. This was in part due to the Clerk not maintaining adequate payroll ledgers.

FINDING NUMBER 2002-005

Reportable Condition

We noted that the Township has a deficient payroll process as follows:

Each hourly employee of the Township should complete a timecard each pay period. These timecards should contain, but is not limited to the following information: Date of work, description of work performed, hours worked that day, total hours worked for the pay period. The timecard should then be approved by the appropriate supervisor.

A review of the Clerk's records noted that the only timecards on file were for the 2003 year of the audit period. We requested these timecards from the Clerk; however, he was unable to provide them for audit and it was noted in prior years that timecard use is a common practice of the Township.

**OHIO TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 and 2002
(Continued)**

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

FINDING NUMBER 2002-005 (Continued)

Reportable Condition (Continued)

This resulted in being unable to support that employees worked the hours for which they were paid.

We recommend that the Township maintain timecards for each of its hourly employees documenting the information stated above and approved in signature by the proper supervisor.

Secondly, payroll ledgers should be maintained by the Township. These records should contain, but are not limited to the following information: Gross Pay, Federal Tax withholding amounts, State Tax withholding amounts, PERS withholding amount (or Social Security if applicable), and any other deductions. The Gross Pay less all deductions should equal the net pay which should then agree to the paycheck issued to the Township official or employee. The ledger should also document what account code the positing of the disbursement is to be charged to.

A review of the Township's records noted that the Clerk did not maintain adequate payroll ledgers for the years 2002 and 2003 to support net payroll issued to employees and elected officials. This information was requested of the Clerk; however, he was unable to provide us with these ledgers.

The Clerk was new in 2003 and made the appropriate changes to correct this issue for subsequent years.

FINDING NUMBER 2002-006

Material Citation

Ohio Revised Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue. For 2003, General Fund appropriations exceeded estimated resources by \$53,624 and Miscellaneous Special Revenue Fund appropriations exceeded estimated resources by \$20,067. For 2002, General Fund appropriations exceeded estimated resources by \$37,420 and Miscellaneous Special Revenue Fund appropriations exceeded estimated resources by \$40,294.

The Village Clerk and Board of Trustees should establish monitoring controls adequate to mitigate the risk of non-compliance with applicable laws and regulations.

**OHIO TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-001	ORC 102.03 and 2921.42 improperly using influence and authority in a public contract	Yes	
2001-002	ORC 145.48(A) failing to make PERS payments.	No	Reissued see finding 2002-001
2001-003	ORC 149.351 destruction of records	Yes	
2001-004	ORC 505.24 Township Trustees pay not auditable	Yes	
2001-005	ORC 5705.41(B) expenditures exceed appropriations	Yes	
2001-006	ORC 5705.41(C) Lack of expenditure documentation	Yes	
2001-007	5705.41(D) encumbering funds	No	Reissued see finding 2002-002
2001-008	The Clerk did not pay Federal Income tax withholdings	No	Reissued see finding 2002-003
2001-009	The Clerk did not pay State Income tax withholdings	No	Reissued see finding 2002-004.
2001-010	Bank reconciliation control deficient	Yes	
2001-011	Supporting documentation for disbursements not maintained	Yes	
2001-012	Elected officials compensation not auditable	Yes	
2001-013	Deficient payroll process	No	Partially corrected. The trustees pay is now correct and auditable; however, adequate payroll records for 2002 were not maintained. See finding 2002-005.
2001-014	Failure to maintain a disbursement ledger	Yes	
2001-015	Failure to maintain supporting documentation for receipts	Yes	



**Auditor of State
Betty Montgomery**

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OHIO TOWNSHIP

GALLIA 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 21, 2005**