



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MARLBORO TOWNSHIP
STARK 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, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Non-Expendable Trust Fund For the Year Ended December 31, 1999	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 1998	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Non-Expendable Trust Fund For the Year Ended December 31, 1998	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Marlboro Township
Stark County
7344 Edison Street
Hartville, Ohio 44632

To the Board of Trustees:

We have audited the accompanying financial statements of Marlboro Township, Stark County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of 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.

Jim Petro
Auditor of State

December 7, 2000

This page intentionally left blank.

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Taxes	\$22,457	\$394,132	\$86,975		\$503,564
Charges for Services		937			937
Licenses, Permits, and Fees	6,192				6,192
Fines and Forfeitures	3,907	595			4,502
Intergovernmental Receipts	119,725	110,265	5,570		235,560
Special Assessments		2,903			2,903
Interest	13,765	3,681			17,446
Other	14,372	9,112			23,484
Total Cash Receipts	180,418	521,625	92,545		794,588
Cash Disbursements:					
Current:					
General Government	166,571				166,571
Public Safety	600	232,498			233,098
Public Works		220,840			220,840
Health	14,070				14,070
Capital Outlay		27,691		81,292	108,983
Debt Service:					
Redemption of Principal			54,714		54,714
Interest and Fiscal Charges			15,277		15,277
Total Cash Disbursements	181,241	481,029	69,991	81,292	813,553
Total Receipts Over/(Under) Disbursements	(823)	40,596	22,554	(81,292)	(18,965)
Other Financing Receipts/Disbursements:					
Advance-In		4,700			4,700
Advance-Out	(4,700)				(4,700)
Total Other Financing Receipts/Disbursements	(4,700)	4,700			0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(5,523)	45,296	22,554	(81,292)	(18,965)
Fund Cash Balances, January 1	124,609	140,614	12,840	60,309	338,372
Fund Cash Balances, December 31	\$119,086	\$185,910	\$35,394	(\$20,983)	\$319,407
Reserve for Encumbrances, December 31	\$4,215	\$16	\$0	\$0	\$4,231

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

**MARLBORO TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCE
 NON-EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	Fiduciary Fund Type
	Non-expendable Trust
Operating Cash Receipts:	
Interest	\$3,206
Operating Cash Disbursements:	
Miscellaneous	1,400
Operating Income	1,806
Fund Cash Balance, January 1	71,630
Fund Cash Balance, December 31	\$73,436
Reserve for Encumbrances, December 31	\$0

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

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Taxes	\$27,253	\$460,952	\$77,846		\$566,051
Charges for Services		2,035			2,035
Licenses, Permits, and Fees	7,760				7,760
Fines and Forfeitures	3,709	428			4,137
Intergovernmental Receipts	89,343	109,140	5,394		203,877
Special Assessments		2,903			2,903
Interest	14,490	520			15,010
Other	41,780	11,732			53,512
 Total Cash Receipts	 184,335	 587,710	 83,240		 855,285
Cash Disbursements:					
Current:					
General Government	131,238				131,238
Public Safety	567	227,074			227,641
Public Works		255,437			255,437
Health	13,639				13,639
Human Services	600				600
Miscellaneous		391			391
Capital Outlay	45,761	6,748		322,691	375,200
Debt Service:					
Redemption of Principal			54,800		54,800
Interest and Fiscal Charges			15,600		15,600
Total Cash Disbursements	191,805	489,650	70,400	322,691	1,074,546
 Total Receipts Over/(Under) Disbursements	 (7,470)	 98,060	 12,840	 (322,691)	 (219,261)
Other Financing Receipts/Disbursements:					
Proceeds of notes				383,000	383,000
Transfers-In		11,000			11,000
Advances-In		2,625			2,625
Transfers-Out	(11,000)				(11,000)
Advances-Out	(2,625)				(2,625)
 Total Other Financing Receipts/Disbursements	 (13,625)	 13,625		 383,000	 383,000
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	 (21,095)	 111,685	 12,840	 60,309	 163,739
 Fund Cash Balances, January 1	 145,704	 28,929			 174,633
 Fund Cash Balances, December 31	 \$124,609	 \$140,614	 \$12,840	 \$60,309	 \$338,372
 Reserves for Encumbrances, December 31	 \$1,281	 \$2,423	 \$0	 \$77,309	 \$81,013

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

**MARLBORO TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCE
 NON-EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Fiduciary Fund Type
	Non-expendable Trust
Operating Cash Receipts:	
Interest	\$4,161
Operating Cash Disbursements:	
Miscellaneous	1,280
Operating Income	2,881
Fund Cash Balance, January 1	68,749
Fund Cash Balance, December 31	\$71,630
Reserve for Encumbrances, December 31	\$0

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Marlboro Township, Stark County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance and police. The Township contracts with the Marlboro Volunteer Fire Department to provide fire services and emergency medical services.

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

The Township is associated with certain organizations which are defined as Jointly Governed Organizations under Governmental Accounting Standards Board (GASB) Statement No. 14, *Reporting Entity*. These organizations are presented in Notes 8 and 9. These organizations include:

- Stark Council of Governments
- Stark County Regional Planning Commission

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

Repurchase agreements are valued at cost.

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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.

MARLBORO TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

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

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of note indebtedness. The Township had a General Bond Retirement Fund to account for the debt service requirements of the Capital Improvement Note.

4. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital projects fund.

Township Hall Construction Fund - The Township obtained approval from residents to build a new Township Hall. This fund was established for this activity.

5. Fiduciary Fund (Trust Fund)

This fund is used to account for resources restricted by a legally binding trust agreement. The Township had the following significant fiduciary fund:

Taylor Trust Fund- This non-expendable trust fund was established to maintain the activity of the Taylor Trust Fund. This fund was established in 1875 to provide relief to needy township residents at Christmas.

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, 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.

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

E. Budgetary Process (Continued)

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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

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

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	<u>\$120,843</u>	<u>\$166,002</u>
Repurchase Agreements	<u>272,000</u>	<u>244,000</u>
Total deposits and investments	<u><u>\$392,843</u></u>	<u><u>\$410,002</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: The repurchase agreement is an overnight sweep account reported at cost.

MARLBORO TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY

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

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$180,960	\$180,418	(\$542)
Special Revenue	505,110	521,625	16,515
Debt Service	88,212	92,545	4,333
Capital Projects	0	0	0
Fiduciary	150	3,206	3,056
Total	\$774,432	\$797,794	\$23,362

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$273,592	\$190,156	\$83,436
Special Revenue	656,855	481,045	175,810
Debt Service	101,052	69,991	31,061
Capital Projects	0	81,292	(81,292)
Fiduciary	71,780	1,400	70,380
Total	\$1,103,279	\$823,884	\$279,395

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$104,600	\$184,335	\$79,735
Special Revenue	566,030	601,335	35,305
Debt Service	88,048	83,240	(4,808)
Capital Projects	0	383,000	383,000
Fiduciary	250	4,161	3,911
Total	\$758,928	\$1,256,071	\$497,143

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

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$241,518	\$206,711	\$34,807
Special Revenue	598,518	492,073	106,445
Debt Service	88,048	70,400	17,648
Capital Projects	0	400,000	(400,000)
Fiduciary	67,620	1,280	66,340
Total	\$995,704	\$1,170,464	(\$174,760)

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 payments, 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, 1999 was as follows:

	Principal	Interest Rate
1998 - Township Building Note	\$273,486	4.59%

The Township Building Note was issued to finance the cost of constructing, furnishing, equipping and improving a township building and its site. Township residents approved a tax levy on November 4, 1997, to pay for the principal and interest of this note.

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

5. DEBT (Continued)

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

Year ending December 31:	Township Building Note
2000	\$67,271
2001	64,760
2002	62,248
2003	59,737
2004	<u>57,225</u>
Total	<u><u>\$311,241</u></u>

6. RETIREMENT SYSTEMS

All Township 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 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

The Township is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

MARLBORO TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

8. STARK COUNCIL OF GOVERNMENTS

The Stark Council of Governments (SCOG) is a jointly governed organization. SCOG is a regional council of governments formed under chapter 167 of the Ohio Revised Code. Currently, SCOG's functions include the funding and operation of the Stark County Metropolitan Narcotics Unit and the Canton Crime Lab. SCOG is governed by its membership, including Stark County, and other cities, villages, and townships. The membership elects a nine member executive committee. Based on recommendations of the executive committee, the membership approves its own budget, appoints personnel and performs accounting and finance related activities. Continued existence of the agency is not dependent on the Township's continued participation nor does the Township have an equity interest in the agency. The agency is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden to the Township. Complete financial statements may be obtained from the Stark Council of Governments, P.O. Box 21451, Canton, Ohio 44701-1451.

9. STARK COUNTY REGIONAL PLANNING COMMISSION

The Village participates in the Stark County Regional Planning Commission (Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed among Stark County, and other cities, villages, and townships. The principle aim of the Commission is to provide comprehensive planning, both long and short term, dealing with the economic and physical environment of Stark County. The board exercises total authority over the day-to-day operations of the Commission. These include budgeting, appropriating, contracting, and designating management. The Township has no financial responsibility for any the Commission's liabilities. Complete financial statements can be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

10. NON COMPLIANCE

Contrary to Ohio Revised Code Section 5705.41(D), the Township did not properly certify its expenditures prior to purchase.

Contrary to Ohio Revised Code Section 5705.10, the Township had a negative fund balance within its Township Hall Construction Fund at December 31, 1999.

Contrary to Ohio Revised Code Section 5705.36, the Township Clerk did not certify revenue, and contrary to Ohio Revised Code Section 5705.41(B), the Township Hall Construction Fund expenditures exceeded appropriations.

Contrary to Ohio Revised Code Section 135.21, the Township receipted interest within its Township Hall Construction Fund rather than in its General Fund.

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

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

Marlboro Township
Stark County
7344 Edison Street
Hartville, Ohio 44632

To the Board of Trustees:

We have audited the accompanying financial statements of Marlboro Township, Stark County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated December 7, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as Items 1999-41276-001 through 1999-31276-004.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated December 7, 2000.

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 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 judgement, 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. The reportable conditions are described in the accompanying Schedule of Findings as items 1999-41276-005 and 1999-41276-006.

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, we believe that none of the reportable conditions described above are material weaknesses.

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 December 7, 2000.

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.

Jim Petro
Auditor of State

December 7, 2000

**MARLBORO TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

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

FINDING NUMBER 1999-41276-001

Ohio Revised 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.

This section also provides for two exceptions to the above requirements:

Then and Now Certificate: If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum, was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

Amounts less than \$1,000 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.

During 1999 and 1998, 7 and 19, respectively, of 30 expenditures tested each year were certified after the invoice date(s). Also, neither of the two exceptions were utilized. We recommend the Township Clerk inform all Township employees of the requirements of Ohio Revised Code Section 5705.41(D). The Township should implement the use of Then and Now certificates and Blanket Certificates as further permitted by Ohio Revised Code Section 5705.41(D). However, such certifications should only be used for reoccurring and reasonably predictable matters or emergency matters which may arise.

FINDING NUMBER 1999-41276-002

Ohio Revised Code Section 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 1999, the Capital Projects, Township Hall Construction Fund had a negative fund balance totaling \$20,983. This negative cash fund balance indicates money from another fund was used to pay for the obligations of this fund. The Township Clerk should consider transferring monies from the General Fund to alleviate the negative cash fund balance.

FINDING NUMBER 1999-41276-003

Ohio Revised Code Section 5705.36 states that upon a determination by the fiscal officer that revenue to be collected will be greater or less than the amount included in the official certificate, the fiscal officer shall certify the amount of the excess or deficiency to the commission, and if the budget commission determines the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess. Also, **Ohio Revised Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 1998, the Township Clerk did not certify, with the County Auditor, the Township Hall Construction Fund actual receipts of \$383,000. Upon certification from the County Auditor, the Board of Trustees should establish appropriations for this fund as evidenced in the minute records. Since the Township Clerk did not certify the actual receipts with the County Auditor, the Board of Trustees could not subsequently establish appropriations. As a result, during 1999 and 1998, expenditures exceeded appropriations by \$400,000 and \$81,292, respectively. The Township Clerk should certify actual receipts to the County Auditor and a corresponding appropriation modification should be approved by the Board of Trustees as evidenced in the minute records.

FINDING NUMBER 1999-41276-004

Ohio Revised Code Section 135.21 states that all investment earnings, except as provided in Ohio Revised Code Section 135.351, shall be credited to the General Fund of the Township to which the principal belongs.

During 1999 and 1998, the Township Clerk credited interest of \$12,227 and \$832, respectively, to the Township Hall Construction Fund rather than to the General Fund. As a result, the Township Hall Construction Fund and General Fund receipts were initially overstated and understated, respectively. The Township Clerk should apportion interest earnings to the General Fund unless a fund is required to have interest earnings recorded pursuant to either the Ohio Revised Code or Ohio Constitution.

The financial statements have been adjusted to properly reflect this interest within the General Fund of the Township.

FINDING NUMBER 1999-41276-005

Intergovernmental Receipts and Loan Proceeds

During 1999 and 1998, prior to financial statement adjustment, the following inaccuracies were noted:

- The Township Clerk recorded certain Revenue Assistance and Local Government Distributions, net of Stark Council of Governments deductions, in an inappropriate fund or receipt account. For example, during 1998 the Township Clerk recorded Local Government receipts totaling \$4,391 and \$746 in the Gasoline Fund rather than the General Fund and to an interest receipt account rather than an intergovernmental receipt account, respectively. As a result, intergovernmental receipts were initially understated
- The Township Clerk recorded Homestead and Rollback receipts received from the Auditor of State as tax receipts rather than as intergovernmental receipts within the following funds: General Fund, Police Fund, Road and Bridge Fund, Fire Fund and Debt Service Fund. During 1999 and 1998, adjustments ranged between roughly \$600 to \$1,600 and \$200 to \$1,800, respectively, to correct these posting errors

FINDING NUMBER 1999-41276-005
(Continued)

- The Township Clerk recorded loan proceeds for the construction of the Township Hall totaling \$383,000 in the General Fund rather than in the Capital Projects, Building Construction Fund. As a result, loan proceeds were initially overstated and understated in the General Fund and Capital Projects, Building Construction Fund, respectively.

The Township Clerk should perform the following:

- Record Revenue Assistance and Local Government Distributions at gross in an appropriate fund or receipt account
- Record Homestead and Rollback receipts from the Auditor of State as intergovernmental receipts
- Record loan proceeds in the appropriate fund.

This will help ensure the Township's financial statements are accurately presented.

FINDING NUMBER 1999-41276-006

Monthly Bank Reconciliations

During 1999 and 1998, the Township Clerk attempted to perform monthly bank reconciliations; however, the following deficiencies were noted:

- During both years, each respective month's bank reconciliation contained unreconciled differences that could not always be supported by underlying documentation. In addition, before final audit adjustments, unreconciled differences of \$6,333 and \$142 existed as of December 31, 1999 and 1998, respectively. The Township has subsequently adjusted their records to reflect the correct reconciled bank balances
- The Township Clerk did not record interest timely. For example, monthly interest for the period of October 1998 through November 1999 totaling approximately \$3,000 was not recorded by the Township Clerk until December 1999
- The Township maintains several depository accounts which were identified in the Cash Journal as depository or investment balances. At times, the Township Clerk did not always accurately reflect transfers of monies between the Township's depository and investment balances on the Cash Journal.

Due to the failure to accurately and completely reconcile the Township's cash and investment balances, this exposes the Township to the risk of loss.

FINDING NUMBER 1999-41276-006
(Continued)

The Township Clerk should perform the following:

- Identify and include all reconciling items (e.g., earned interest not posted, deposits in transit, etc.) in each month's bank reconciliation. The Board of Trustees should investigate, document and resolve the unreconciled differences.
- Record monthly interest earned timely
- The Township should consider reducing the number of depository accounts and subsequently maintain those account balances in the correct depository or investment balance within the Cash Journal.



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

MARLBORO TOWNSHIP

STARK 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
JANUARY 11, 2001**