



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Ashtabula Township
Ashtabula County
2718 North Ridge Road East
Ashtabula, OH 44004

To the Board of Trustees:

We have audited the accompanying financial statements of Ashtabula Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2001 and December 31, 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 audit.

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.

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, 2001 and December 31, 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 November 15, 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 audit.

This report is intended solely for the information and use 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, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

November 15, 2002

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUNDS
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	\$85,996	\$2,523,878	\$2,609,874
Intergovernmental	297,653	225,264	522,917
Special Assessments		37,662	37,662
Licenses, Permits, and Fees	12,063	52,437	64,500
Earnings on Investments	23,893		23,893
Other Revenue	183,632	91,865	275,497
	<u>603,237</u>	<u>2,931,106</u>	<u>3,534,343</u>
Cash Disbursements:			
Current:			
General Government	528,697		528,697
Public Safety		1,943,653	1,943,653
Public Works	34,779	995,899	1,030,678
Health	69,969	276,565	346,534
Conservation - Recreation	2,901		2,901
Capital Outlay		139,012	139,012
	<u>636,346</u>	<u>3,355,129</u>	<u>3,991,475</u>
Total Cash Disbursements	<u>636,346</u>	<u>3,355,129</u>	<u>3,991,475</u>
Total Receipts Over/(Under) Disbursements	<u>(33,109)</u>	<u>(424,023)</u>	<u>(457,132)</u>
Other Financing Receipts and (Disbursements):			
Advances-In	285,000	285,000	570,000
Advances-Out	(285,000)	(285,000)	(570,000)
Sale of Fixed Assets		33,000	33,000
	<u>0</u>	<u>33,000</u>	<u>33,000</u>
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>33,000</u>	<u>33,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(33,109)	(391,023)	(424,132)
Fund Cash Balances, January 1	<u>402,948</u>	<u>731,879</u>	<u>1,134,827</u>
Fund Cash Balances, December 31	<u>\$369,839</u>	<u>\$340,856</u>	<u>\$710,695</u>
Reserve for Encumbrances, December 31	<u>\$1,388</u>	<u>\$11,433</u>	<u>\$12,821</u>

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

ASHTABULA TOWNSHIP
ASHTABULA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Fiduciary Fund Types</u>
	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Interest	\$4,663
Operating Cash Disbursements:	
Purchased Services	<u>2,971</u>
Operating Income/(Loss)	<u>1,692</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>193</u>
Net Receipts Over/(Under) Disbursements	1,499
Fund Cash Balances, January 1	<u>145,578</u>
Fund Cash Balances, December 31	<u><u>\$147,077</u></u>

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

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$83,730	\$2,308,663	\$2,392,393
Intergovernmental	244,429	208,459	452,888
Special Assessments		36,616	36,616
Licenses, Permits, and Fees	12,772	72,893	85,665
Earnings on Investments	46,277	25	46,302
Other Revenue	35,766	84,344	120,110
	<u>422,974</u>	<u>2,711,000</u>	<u>3,133,974</u>
Total Cash Receipts			
	<u>422,974</u>	<u>2,711,000</u>	<u>3,133,974</u>
Cash Disbursements:			
Current:			
General Government	415,609	3,142	418,751
Public Safety		1,792,438	1,792,438
Public Works	26,411	742,643	769,054
Health	2,170	256,253	258,423
Conservation - Recreation	2,040		2,040
Capital Outlay	100,000	139,976	239,976
	<u>546,230</u>	<u>2,934,452</u>	<u>3,480,682</u>
Total Cash Disbursements			
	<u>546,230</u>	<u>2,934,452</u>	<u>3,480,682</u>
Total Receipts Over/(Under) Disbursements	<u>(123,256)</u>	<u>(223,452)</u>	<u>(346,708)</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		7,550	7,550
Advances-In	287,000	287,000	574,000
Advances-Out	(287,000)	(287,000)	(574,000)
	<u>0</u>	<u>7,550</u>	<u>7,550</u>
Total Other Financing Receipts/(Disbursements)			
	<u>0</u>	<u>7,550</u>	<u>7,550</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(123,256)</u>	<u>(215,902)</u>	<u>(339,158)</u>
Fund Cash Balances, January 1	<u>526,204</u>	<u>947,781</u>	<u>1,473,985</u>
Fund Cash Balances, December 31	<u>\$402,948</u>	<u>\$731,879</u>	<u>\$1,134,827</u>
Reserve for Encumbrances, December 31	<u>\$1,007</u>	<u>\$17,442</u>	<u>\$18,449</u>

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

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Fiduciary Fund Types
	Nonexpendable Trust
Operating Cash Receipts:	
Interest	\$4,783
 Operating Cash Disbursements:	
Contracted Services	696
Purchased Services	2,100
Total Operating Cash Disbursements	2,796
Operating Income/(Loss)	1,987
 Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	195
 Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	1,792
Transfers-Out	(7,550)
Net Receipts Over/(Under) Disbursements	(5,758)
Fund Cash Balances, January 1	151,336
Fund Cash Balances, December 31	\$145,578

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

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Ashtabula Township, Ashtabula 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, fire protection and emergency medical 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

Investments are reported as assets. 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.

Certificates of deposit and repurchase agreements are valued at cost. Stocks are recorded at cost and are reported at market value.

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:

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

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fire Levy Fund - This fund's receipts are generated from a restricted Township levy and are only to be utilized to assist in providing the necessary equipment and fire protection for Township residents.

Ambulance Levy Fund - This fund's receipts are generated from a restricted Township levy and are only to be utilized to assist in providing the necessary equipment and emergency medical services for Township residents.

3. Fiduciary Funds (Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Non-expendable Trust Fund - This fund is used to account for cemetery bequests.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

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

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments 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:

	2001	2000
Demand deposits	\$5,197	\$72,742
Certificates of deposit	80,229	78,149
Total deposits	85,426	150,891
Investments:		
Repurchase agreement	663,594	1,129,514
Common stock	108,752	
Total investments	772,346	1,129,514
Total deposits and investments	\$857,772	\$1,280,405

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: The Township's agent holds securities collateralizing repurchase agreements. The securities are not in the Township's name.

Anthem Health Insurance stock shares issued in book entry form as part of the conversion of Anthem Insurance Companies, Inc. from a mutual insurance company to a stock insurance company. The Township received 2,535 shares valued at \$42.90 per share of Anthem Stock on November 2, 2001. This investment is reported on the financial statements at the fair value on the date of receipt. The fair value of the stock as of 12/31/01 is listed below:

Company	Number of Shares	\$ Per Share	December 31, 2001
Anthem, Inc.	2,535	49.50	\$125,483

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

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

3. BUDGETARY ACTIVITY

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

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$373,800	\$603,287	\$229,487
Special Revenue	2,865,163	2,964,106	98,943
Non-Expendable Trust	4,500	4,663	163
Total	<u>\$3,243,463</u>	<u>\$3,572,056</u>	<u>\$328,593</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$578,582	\$637,734	(\$59,152)
Special Revenue	3,198,542	3,366,562	(168,020)
Non-Expendable Trust	7,000	3,164	3,836
Total	<u>\$3,784,124</u>	<u>\$4,007,460</u>	<u>(\$223,336)</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$342,900	\$422,974	\$80,074
Special Revenue	2,540,550	2,718,550	178,000
Non-Expendable Trust	7,000	4,783	(2,217)
Total	<u>\$2,890,450</u>	<u>\$3,146,307</u>	<u>\$255,857</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$990,700	\$547,237	\$443,463
Special Revenue	3,509,839	2,951,894	557,945
Non-Expendable Trust	11,000	10,541	459
Total	<u>\$4,511,539</u>	<u>\$3,509,672</u>	<u>\$1,001,867</u>

The Township did not properly encumber during the audit period and also had expenditures exceed appropriations in the following funds: General, Road and Bridge, Auto Permissive and Street Lighting in 2001, contrary to Ohio Revised Code § 5705.41 (D).

The Township had the following funds in which appropriations exceeded estimated revenue: General, Cemetery, Fire Levy and Street Lighting in 2000, and the Fire Levy in 2001, which is prohibited by Ohio Revised Code § 5705.39.

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

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

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 certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide 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, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to PFDPF. 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

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 Insurance

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.

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

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

6. RISK MANAGEMENT (Continued)

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. The Travelers Indemnity Company reinsures specific losses exceeding up \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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 government.

Financial Position

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

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained Earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
 <u>Property Coverage</u>		
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained Earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

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

7. SUBSEQUENT EVENTS

The Township must pay Millenium Chemicals, Inc. \$134,863.90 in 2002 for an overpayment of property taxes due to EPA improvements made by Millenium. The Township made some reductions in staff to curtail expenditures. The Township also is placing a cemetery levy on the November ballot.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

Ashtabula Township
Ashtabula County
2718 North Ridge East
Ashtabula, OH 44004

To the Board of Trustees:

We have audited the accompanying financial statements of Ashtabula Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated November 15, 2002. 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 2001-411040-001 and 2001-411040-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated November 15, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Reportable conditions are described in the accompanying schedule of findings as items 2001-411040-003 and 2001-411040-004.

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. We believe item 2001-411040-003 of the reportable conditions described above is a material weakness.

Ashtabula Township

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 November 15, 2002.

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 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

November 15, 2002

**ASHTABULA TOWNSHIP
ASHTABULA COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-411040-001

Noncompliance Citation

Ohio Rev. Code § 5705.41(D), provides 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 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 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 thirty (30) days from the receipt of such certificate.
- If the amount involved is less than one thousand dollars (\$1,000) the clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Expenditures exceeded appropriations by the following amounts in 2001: General Fund (\$59,152); Road and Bridge Fund (\$114,127); Auto Permissive Fund (\$3,000) and the Street Lighting Fund (\$5,927), contrary to the provisions of this section. In addition, during our test of disbursements we noted that 70 and 42 percent of contracts and purchases in 2000 and 2001, respectively, were committed prior to the certification of available funds by the clerk, and neither exception listed above was followed.

In addition, blanket purchase orders, although issued per the Blanket Certificate Status Report, were never printed and therefore were not signed by the clerk certifying the availability of funds. The above section does allow so called blanket certifications in certain circumstances; however, the fiscal officer's certification must be presented as discussed above.

Without the following certification, expenditures may be incurred which the Board of Trustees has not authorized or which the Township cannot afford.

FINDING NUMBER 2001-411040-002

Ohio Revised Code § 5705.39 states that total appropriations from each fund should not exceed the total estimated revenue. Appropriations exceeded estimated resources in the following funds:

Year/Fund	Total Certified Est. Resources	Total Appropriated	Variance
2000/General	\$786,702	\$990,700	(\$203,998)
2000/Cemetery	270,722	317,468	(46,748)
2000/Fire Levy	1,939,717	2,159,974	(220,257)
2000/Street Lighting	45,310	47,694	(2,384)
2001/Fire Levy	1,984,637	2,084,406	(99,769)

Prior to adopting original appropriations or modifying appropriations, the Township should compare the proposed appropriations to the latest official certificate of estimated resources, and ensure appropriations do not exceed resources certified for each respective fund.

FINDING NUMBER 2001-411040-003

Material Weakness

Financial reports, including bank reconciliations, investment transactions, advances/advance repayments, and budget vs. actual statements, were not periodically presented to the Board of Trustees (governing body) for approval.

This condition does not provide for proper monitoring of financial activity by the governing body and resulted in the Board being unaware that certain transactions had not been posted to the books from June 1998 through April 2000. This resulted in the need for the reconstruction of records subsequent to the audit period.

The Board should require that monthly financial reports, including bank reconciliations, summaries of investment transactions, budget vs. actual reports, etc be provided to the Board on a monthly basis. The Board should review these documents for significant and unusual items, and follow-up on such items. The Boards review should be evidenced.

FINDING NUMBER 2001-411040-004

Reportable Condition

Cemetery Bequest Accounts

The Township is the administrator of numerous cemetery bequests for the purpose of maintaining cemetery plots of those deceased. The Township has a fiduciary responsibility of honoring the will of the bequests. Many of the bequests are old in nature and the support documentation regarding the limitation on the use of funds has not been maintained. The bequest funds have not always been included as part of the reconciliation procedures between the Township's books and banks. The month to date and year to date activity of the bequest funds in regards to having the current interest earnings and expenditures of each individual account was not being posted to the Township's books accurately. Because of the lack of monitoring these accounts, various service charges have been applied by the banks against the bequest because of minimum balance requirements or dormant activity fees.

Without the proper support of the bequests nor the posting of the activity to the Township's records, an accurate accountability of the bequests might not be maintained. By not monitoring the bequests, balances can, and have been, reduced or depleted by bank charges.

In order to provide an accurate accountability of the bequests, the Township should implement and/or perform the following procedures:

1. An attempt should be made to determine the history of the bequests and any restrictions on the use of the bequests. If the history is not able to be located or determined, the Township should contact their legal counsel on what procedure to follow in regards to this money.
2. All activity, such as interest earned and expenditures made, should be accounted for on the books of the Township, both the UAN system and the manual subsidiary ledger book for the bequests, under the Nonexpendable Trust Fund designation. The activity should be posted on a current basis and said fund balances should then be used in the monthly reconciliation performed by the Clerk.
3. Due to the numerous bequest accounts that are maintained by the Township, which are in either separate passbook savings accounts or certificate of deposits, the consolidation of these into one or two pooled investment instruments would help alleviate the paper work and service charges that currently exist. The Township should consider using a cash and investment pool for these monies.
4. If said bequests become a pooled investment, a history of the initial principal of each bequest needs to be placed into a permanent file for future source information on how to distribute the interest.
5. The Township should follow the guidance of Auditor of State Bulletin 98-004 on the proper treatment for certifying Nonexpendable Trust fund balances to the County Auditor at year end. Only interest earnings are considered available for expenditure, so the Township needs to report accumulated unspent interest on the certificate of year-end balances to the County Auditor.
6. The Township should require that all new bequests accepted, be evidenced by a written agreement, delineating the terms of the bequest (expendable or nonexpendable, restrictions, etc.). Acceptance of bequests should be approved by the Board of Township Trustees and noted in the record of minutes. All such documentation should be maintained by the Township in a permanent file and maintained in an organized manner.
7. The Township utilizes the services of an outside company to place flowers on the gravesites, so a record of what graves had flowers placed on them and the amount expended for each, should be maintained and verified by a Township official that the expenditures and the bequests have been honored. Once the bill for these services has been rendered and approved, the Township should prorate a withdrawal from the bequest accounts, place said withdrawal into the general checking account, post it to the Nonexpendable Trust Funds under the UAN system, and issue the check to the vendor.

**SCHEDULE OF PRIOR AUDIT FINDINGS
 FISCAL YEAR END**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-411040-001	Ohio Admin. Code § 117-3-08	Yes	¹ UAN system implemented.
1999-411040-002	Ohio Admin. Code § 117-3-09	Yes	UAN system implemented.
1999-411040-003	Ohio Admin. Code § 117-3-11	Yes	UAN system implementation.
1999-411040-004	Ohio Revised Code § 117.38	Yes	Finding no longer valid.
1999-411040-005	Ohio Revised Code § 5705.41(B)	Yes	UAN system implementation.
1999-411040-006	Ohio Revised Code § 5705.41(D)	No	Corrective action was taken when current clerk took office in November 2001. Reissued as finding No. 2001-411040-001.
1999-411040-007	Financial reports were not presented to the Board for approval.	No	Corrective action was taken during the fieldwork phase of the current audit. Reissued as finding No. 2001-411040-003.
1999-411040-008	Financial records not completed June 1998 through April 2000.	No	Partially corrected UAN system implemented; accounting records are up to date, except for Trust funds. Reissued as part of finding No. 2001-411040-003
1999-411040-009	Accounting for cemetery bequests.	No	Not corrected. Reissued as finding No. 2001-411040-004.



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OFFICE OF THE AUDITOR

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ASHTABULA TOWNSHIP

ASHTABULA 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
DECEMBER 17, 2002**