



Mary Taylor, CPA  
Auditor of State



**EDINBURG TOWNSHIP  
PORTAGE COUNTY**

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# Mary Taylor, CPA

Auditor of State

Edinburg Township  
6856 Tallmadge Road  
P.O. Box 485  
Rootstown, Ohio 44272

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

January 19, 2007

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Edinburg Township  
6856 Tallmadge Road  
P.O. Box 485  
Rootstown, Ohio 44272

To the Board of Trustees:

We have audited the accompanying financial statements of Edinburg Township, Portage County, (the Township) as of and for the years ended December 31, 2005 and 2004. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, 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 Edinburg Township, Portage County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

January 19, 2007



**EDINBURG TOWNSHIP  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$99,257	\$157,543	\$0	\$256,800
Intergovernmental	84,415	157,162		241,577
Licenses, Permits, and Fees	18,906			18,906
Earnings on Investments	4,940	119	489	5,548
Other Revenue	18,614	32,224		50,838
	<u>226,132</u>	<u>347,048</u>	<u>489</u>	<u>573,669</u>
<b>Total Cash Receipts</b>				
	<u>226,132</u>	<u>347,048</u>	<u>489</u>	<u>573,669</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	161,187			161,187
Public Safety	1,081	92,105		93,186
Public Works	0	128,072		128,072
Health	13,988			13,988
Conservation - Recreation	13,768	7,381		21,149
Debt Service:				
Redemption of Principal		8,102		8,102
Interest and Fiscal Charges		1,961		1,961
Capital Outlay	45,824	85,733		131,557
	<u>235,848</u>	<u>323,354</u>	<u>0</u>	<u>559,202</u>
<b>Total Cash Disbursements</b>				
	<u>235,848</u>	<u>323,354</u>	<u>0</u>	<u>559,202</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(9,716)</u>	<u>23,694</u>	<u>489</u>	<u>14,467</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(9,716)</u>	<u>23,694</u>	<u>489</u>	<u>14,467</u>
<b>Fund Cash Balances, January 1</b>	<u>179,305</u>	<u>89,459</u>	<u>15,722</u>	<u>284,486</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$169,589</b></u>	<u><b>\$113,153</b></u>	<u><b>\$16,211</b></u>	<u><b>\$298,953</b></u>

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

**EDINBURG TOWNSHIP  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$97,202	\$158,409	\$0	\$255,611
Intergovernmental	139,698	93,762		233,460
Licenses, Permits, and Fees	11,754			11,754
Earnings on Investments	2,316	62	199	2,577
Other Revenue	33,658	25,789		59,447
	<u>284,628</u>	<u>278,022</u>	<u>199</u>	<u>562,849</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	166,912.00			166,912
Public Safety	13,044.00	137,181		150,225
Public Works	2,000.00	103,760		105,760
Health	11,157.00	0		11,157
Conservation - Recreation	19,123.00	3,902		23,025
Debt Service:				
Redemption of Principal	10,931	42,000		52,931
Interest and Fiscal Charges	327	1,909		2,236
Capital Outlay	61,709	1,505		63,214
	<u>285,203</u>	<u>290,257</u>	<u>0</u>	<u>575,460</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(575)</u>	<u>(12,235)</u>	<u>199</u>	<u>(12,611)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Advances-In		700		700
Advances-Out	(700)			(700)
	<u>(700)</u>	<u>700</u>	<u>0</u>	<u>0</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(1,275)</u>	<u>(11,535)</u>	<u>199</u>	<u>(12,611)</u>
<b>Fund Cash Balances, January 1 (See Note3)</b>	<u>180,580</u>	<u>100,994</u>	<u>15,523</u>	<u>297,097</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$179,305</b></u>	<u><b>\$89,459</b></u>	<u><b>\$15,722</b></u>	<u><b>\$284,486</b></u>

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

**EDINBURG TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Edinburg Township, Portage County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township's investments are limited to Star Ohio which are recorded at share values in mutual funds report.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

**EDINBURG TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

1.5 Mill Fire Levy Fund – This fund receives money from the 1.5 mill special property tax levy passed in 1998 for the purpose of purchasing and maintaining fire apparatus/equipment, providing and maintaining current and additional facilities, and/or the payment of permanent, part-time or volunteer firemen or firefighting companies, and to operate same.

2.0 Mill Fire Levy Fund - This fund receives money from the 2.0 mill special property tax levy passed in 1999 for the purpose of purchasing and maintaining fire apparatus/equipment, providing and maintaining current and additional facilities, and/or the payment of permanent, part-time or volunteer firemen or firefighting companies, and to operate same.

**3. Permanent Fund**

These funds account for resources restricted by legally binding trust agreements. The Township had the following significant Permanent Funds:

Cemetery Bequest Funds – These funds utilizes the interest revenue for the upkeep and maintenance of the cemetery. The Principle must remain intact.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year

A summary of 2005 and 2004 budgetary activity appears in Note 4.

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

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**EDINBURG TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2005	2004
Demand deposits	\$128,047	\$118,739
STAR Ohio	170,906	165,747
Total deposits and investments	\$298,953	\$284,486

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

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form

**3. PRIOR PERIOD RESTATEMENT**

Prior audit report reflected an audit adjustment to the financial statements for debt payments. Upon receiving and reviewing additional documentation relating to these payments this had an affect on reconciling prior year fund balances to 2004 beginning fund balances.

	General Fund	Special Revenue Fund
Fund Cash Balances, December 31, 2003	\$ 231,997	\$49,577
Restatement Amount	(51,417)	51,417
Fund Cash Balances, January 1, 2004 (After Restatement Amount)	\$ 180,580	\$100,994

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	236,096	226,132	(9,964)
Special Revenue	303,685	347,048	43,363
Permanent	182	489	307
Total	\$539,963	\$573,669	\$33,706

**EDINBURG TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**4. BUDGETARY ACTIVITY – (Continued)**

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$414,803	\$235,848	\$178,955
Special Revenue	464,007	323,354	140,653
Permanent	4,511	0	4,511
Total	\$883,321	\$559,202	\$324,119

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$236,329	\$284,628	\$48,299
Special Revenue	254,283	278,022	23,739
Permanent	214	199	(15)
Total	\$490,826	\$562,849	\$72,023

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$426,821	\$285,203	\$141,618
Special Revenue	386,291	290,257	96,034
Permanent	4,344	0	4,344
Total	\$817,456	\$575,460	\$241,996

**5. DEBT**

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Backhoe Lease	\$27,077	5%

A Road Garage Note was issued in 2004 for \$40,373 to finance the purchase of a backhoe to be used for Township road maintenance. Repayments are being made annually over the period of 4 years. The note is collateralized solely by the Township's taxing authority.

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

Year Ending December 31:	Backhoe Lease
2006	\$10,093
2007	10,093
2008	10,094
Total	\$30,280

**EDINBURG TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**6. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

**7. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

**8. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government 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 townships 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, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**EDINBURG TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**8. RISK MANAGEMENT – (Continued)**

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>



**EDINBURG TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**8. RISK MANAGEMENT – (Continued)**

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$27,940

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# Mary Taylor, CPA

Auditor of State

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

Edinburg Township  
6856 Tallmadge Road  
P.O. Box 485  
Rootstown, Ohio 44272

To the Board of Trustees:

We have audited the financial statements of the Edinburg Township (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated January 19, 2007 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-001, 2005-002 and 2005-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control 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 material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Township's management dated January 19, 2007 we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items, 2005-001 and 2005-002. In a separate letter to the Township's management dated January 19, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

January 19, 2007

**EDINBURG TOWNSHIP  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

<b>Finding Number</b>	<b>2005-001</b>
-----------------------	-----------------

**Finding For Recovery – Reportable Condition**

A review of the Township’s payroll documentation showed that Robert Grudosky, Fire Chief was overpaid one hundred and thirty dollars (\$130).

The Township Trustees approved Robert Grudosky’s salary at \$300 a month beginning 2004. Review of the payroll journal disclosed overpayments in January and February and an underpayment in March, which resulted in a total overpayment of one hundred and thirty dollars (\$130) as presented below:

Check Number	Date	Amount	Results
27758	1/26/2004	\$430	Overpaid \$130
27836	2/23/2004	\$430	Overpaid \$130
27918	3/22/2004	\$170	Underpaid \$130

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Robert Grudosky in the amount of one hundred and thirty dollars (\$130) and in favor of Edinburg Township.

On January 11, 2007 the \$130 was recovered under audit, Robert Grodusky reimbursed the Township.

<b>Finding Number</b>	<b>2005-002</b>
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**Citation - Reportable Condition**

**Ohio Rev. Code Section 5705.41 (D)**, states no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal officer is attached. The fiscal officer must certify that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D) (1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- 1. Then and Now Certificate:** If the fiscal officer can certify that both at the time that the contract or order was made “then” at the time that he is completing his certification “now”, 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 for the payment of the amount due. 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.

**EDINBURG TOWNSHIP  
PORTAGE COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2005**

<b>Finding Number</b>	<b>2005-002 (Continued)</b>
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**Citation - Reportable Condition (Continued)**

Amounts of less than \$100 for counties, or less than \$3,000 (\$1,000 prior to April 7, 2003) for other 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.

1. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
2. Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not always certify the funds were available at the time of the commitment, as 100% of transactions tested were not properly certified. Incurring obligations prior to the fiscal officer's certification could result in the Township spending more than appropriated. The Township did not meet any of the exceptions stated above.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied.

<b>OFFICIALS' RESPONSES</b>
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The Fiscal Officer of Edinburg Township has made steps to improve certification of available funds for Township expenditures. It has been acknowledged that the procedures were not followed resulting in the creation of purchase orders after the fact. Supervisory personnel have been notified that all purchases, with the exception of emergency situations, must be submitted to the Board of Trustees via Requisition and signed by at least two members of the Board. At that time it will be determined if the purchase will be made on the Township credit card or invoiced by the vendor. If the purchase is to be invoiced, a purchase order will be processed and the number provided to the vendor for inclusion on the invoice. This practice began in December of 2006. Beginning in 2007, blanket certificates will be created for regular expenditures and commonly used vendors (such as uniform rental, telephone and credit card). The blank purchase order numbers will be posted in the Administration Building, with balances updated twice a month. Also the Township is in process of drafting a credit card policy and anticipates adoption no later than February 8, 2007.

**EDINBURG TOWNSHIP  
PORTAGE COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2005**

<b>OFFICIALS' RESPONSES (Continued)</b>
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<b>Finding Number</b>	<b>2005-003</b>
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**Cash Reconciliation - Reportable Condition**

All bank accounts should be reconciled to the Township's financial accounting system on a monthly basis to ensure completeness and accuracy over transactions and to ensure the accuracy of checks clearing the bank.

Although monthly bank reconciliations were performed and presented to the Board of Trustees for review they were not always correct.

The Township utilizes the UAN accounting system to maintain its financial records. For the period under audit two different sets of monthly bank reconciliations were reviewed, a set through the UAN accounting system and a set of printed hard copies presented by the Fiscal Officer. The two sets of reconciliations did not always agree and neither appeared correct.

The Fiscal Officer has a file of monthly bank reconciliations printed for all months in 2004 and 2005. However, the majority of these printed reconciliations did not agree to the reconciliations documented in the UAN accounting system. For all of 2004 and 2005 the reconciliations had amounts ranging from \$122 to \$2,967 that were listed as "other adjusting factors." Some of these items were listed as interest that was not timely posted, and some items were listed as checks that were issued in 2003 but not properly reconciled. The items and explanations noted on the reconciliations were not always correct and did not always agree to the amount listed.

The reconciliations available on the UAN accounting system were not correct and did not always balance. There was no reconciliation prepared for February 2005. Numerous months throughout 2004 and 2005 did not have the correct amounts for fund balance and/or bank balances. Several times the amount listed as the system balance did not agree to the total amount as shown on the Fund Status Report. The total investment balance was not correct and many times the balance listed on the reconciliation was for the prior month or months. Also, the investment balance on the Fund Status Report was often one or two months behind.

The December 31, 2005 bank balances was \$298,348 and the total fund balances, from the UAN accounting system, was \$298,953, a difference of \$605.

**We recommend the following:**

Cash reconciliations should be performed monthly through the UAN accounting system. Any differences between the book and bank balances should be documented with supporting documentation. All bank balances including investment accounts should accurately agree to the statements provided by the financial institutions.

The Trustees should continue receiving copies of the monthly bank reconciliations with supporting documentation for review and approval.

At least one Trustee should be appointed to review the accuracy of the cash reconciliation in detail to supporting documentation and should sign off on the reconciliation as evidence of the review. This review could be performed at a regular meeting and be documented in the minutes.

Also, we recommend that the Township Fiscal Officer re-perform or hire an accounting firm to reconcile the accounting system fund balances to the bank balance as of the current month to ensure the accuracy of the Township's records.

**EDINBURG TOWNSHIP  
PORTAGE COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2005**

<b>Finding Number</b>	<b>2005-003 (Continued)</b>
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Implementation of these procedures over the reconciliation process may help strengthen the controls over financial reporting.

<b>OFFICIALS' RESPONSES</b>
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The current Fiscal Officer, Julie Fisher, has processed all bank statements for the 2006 calendar year. Review of all receipts and expenditures for 2006 has also been done. Bank records for 2002 through 2005 were reviewed and several items have been found, however true reconciliation is still in process. Documentation of these findings is available for review. Bank Reconciliations are done monthly through the UAN system, but must be finalized before the payment of bills or payroll for the subsequent month can be made. This has made it necessary for the Reconciliation to be "forced" pending further investigation. Since November of 2006, as a result of Board resolution, the Fiscal Officer has received training and research assistance from Nancy Rodd, Payroll Clerk of Brimfield Township. The Board of Trustees has approved, through resolution, the hiring of a Visiting Clerk to assist with this process. Beginning January 4, 2007, Carmen Heasley of Canfield Township was hired as Visiting Clerk. Should these steps not bring closure to this issue the Fiscal Officer will request the Board of Trustees approve the hiring of an independent accounting firm.



EDINBURGH TOWNSHIP  
PORTAGE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
YEARS ENDING DECEMBER 31, 2005 AND 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	ORC 5705.41(D)	No	Not Corrected – Repeat as Finding No# 2005-002





Mary Taylor, CPA  
Auditor of State

**EDINBURG TOWNSHIP**

**PORTAGE 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  
MARCH 15, 2007**