

**COITSVILLE TOWNSHIP  
MAHONING COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1998-1997**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Coitsville Township  
Mahoning County  
3711 McCartney Road  
Lowellville, Ohio 44436

To the Board of Trustees:

We have audited the accompanying financial statements of Coitsville Township, Mahoning County, Ohio, (the Township) as of and for the years ended December 31, 1998 and 1997. 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 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 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 of the Township as of December 31, 1998 and 1997, 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 29, 1999 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro  
Auditor of State

December 29, 1999

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

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>					
Local Taxes	\$43,762	\$197,074	\$22,587	\$0	\$263,423
Intergovernmental	90,936	130,121	0	68,524	289,581
Licenses, Permits, and Fees	10,824	1,961	0	0	12,785
Fines, Forfeitures, and Penalties	52,465	17,790	0	0	70,255
Miscellaneous	14,150	48,120	0	0	62,270
<b>Total Cash Receipts</b>	<b>212,137</b>	<b>395,066</b>	<b>22,587</b>	<b>68,524</b>	<b>698,314</b>
<b>Cash Disbursements:</b>					
Current:					
General Government	82,967	0	0	0	82,967
Public Safety	0	347,459	0	0	347,459
Public Works	13,540	51,274	0	0	64,814
Conservation - Recreation	0	5,977	0	0	5,977
Debt Service:					
Redemption of Principal	0	43,000	19,500	0	62,500
Interest and Fiscal Charges	0	1,851	3,087	0	4,938
Capital Outlay	0	39,289	0	68,524	107,813
<b>Total Cash Disbursements</b>	<b>96,507</b>	<b>488,850</b>	<b>22,587</b>	<b>68,524</b>	<b>676,468</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>115,630</b>	<b>(93,784)</b>	<b>0</b>	<b>0</b>	<b>21,846</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In	0	68,000	0	0	68,000
Advances-In	17,000	40,250	0	0	57,250
Transfers-Out	(53,000)	(15,000)	0	0	(68,000)
Advances-Out	(40,250)	(17,000)	0	0	(57,250)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(76,250)</b>	<b>76,250</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>39,380</b>	<b>(17,534)</b>	<b>0</b>	<b>0</b>	<b>21,846</b>
<b>Fund Cash Balances, January 1</b>	<b>31,354</b>	<b>92,662</b>	<b>0</b>	<b>0</b>	<b>124,016</b>
<b>Fund Cash Balances, December 31</b>	<b>\$70,734</b>	<b>\$75,128</b>	<b>\$0</b>	<b>\$0</b>	<b>\$145,862</b>
<b>Reserve for Encumbrances, December 31</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$40,966	\$180,465	\$23,584	\$245,015
Intergovernmental	41,853	129,760	0	171,613
Licenses, Permits, and Fees	8,103	3,182	0	11,285
Fines, Forfeitures, and Penalties	0	134,554	0	134,554
Miscellaneous	3,254	27,112	0	30,366
<b>Total Cash Receipts</b>	<b>94,176</b>	<b>475,073</b>	<b>23,584</b>	<b>592,833</b>
<b>Cash Disbursements:</b>				
Current:				
General Government	73,202	0	0	73,202
Public Safety	0	312,998	0	312,998
Public Works	5,388	53,659	0	59,047
Conservation - Recreation	0	10,239	0	10,239
Debt Service:				
Redemption of Principal	0	7,000	19,500	26,500
Interest and Fiscal Charges	0	3,114	4,084	7,198
Capital Outlay	3,000	102,717	0	105,717
<b>Total Cash Disbursements</b>	<b>81,590</b>	<b>489,727</b>	<b>23,584</b>	<b>594,901</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>12,586</b>	<b>(14,654)</b>	<b>0</b>	<b>(2,068)</b>
<b>Other Financing Receipts/(Disbursements):</b>				
Advances-In	0	16,539	0	16,539
Advances-Out	0	(16,539)	0	(16,539)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>12,586</b>	<b>(14,654)</b>	<b>0</b>	<b>(2,068)</b>
<b>Fund Cash Balances, January 1</b>	<b>18,768</b>	<b>107,316</b>	<b>0</b>	<b>126,084</b>
<b>Fund Cash Balances, December 31</b>	<b>\$31,354</b>	<b>\$92,662</b>	<b>\$0</b>	<b>\$124,016</b>
<b>Reserve for Encumbrances, December 31</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Coitsville Township, Mahoning 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 street maintenance, police protection, fire protection and sanitation recycling 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**

Cash includes amounts in demand deposits. Repurchase agreements are valued at cost.

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.

**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 of the Township. 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 Fund:

*Police District Fund* - This fund's receipts are generated from a restricted Township tax levy and are only to be utilized to assist in providing police protection for the residents of the Township.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**  
**(Continued)**

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

**3. Debt Service Fund**

The debt service fund is used to accumulate resources for the payment of note indebtedness.

**4. Capital Project 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 received a grant from the State of Ohio for a stormwater management program on John White Road.

**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. The Township did not encumber all commitments required by Ohio law.

A summary of 1998 and 1997 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Unpaid Vacation and Sick Leave**

The Township entitles its full-time employees to earn vacation and sick leave time. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**  
(Continued)

**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:

	<u>1998</u>	<u>1997</u>
Demand deposits	(\$62,741)	\$124,016
Total deposits	(62,741)	124,016
Repurchase Agreements	208,603	0
Total investments	208,603	0
Total deposits and investments	\$145,862	\$124,016

**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:** Written repurchase agreements in government securities provide that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days. The repurchase agreements are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1998 and 1997 follows:

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$171,585	\$212,137	\$40,552
Special Revenue	500,223	463,066	(37,157)
Debt Service	24,000	22,587	(1,413)
Capital Projects	68,524	68,524	0
Total	\$764,332	\$766,314	\$1,982

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$203,269	\$149,507	\$53,762
Special Revenue	592,403	503,850	88,553
Debt Service	24,000	22,587	1,413
Capital Projects	68,524	68,524	0
Total	\$888,196	\$744,468	\$143,728



**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1998  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

1997 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$99,269	\$94,176	(\$5,093)
Special Revenue	479,344	475,073	(4,271)
Debt Service	24,000	23,584	(416)
Total	<u>\$602,613</u>	<u>\$592,833</u>	<u>(\$9,780)</u>

1997 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$118,037	\$81,590	\$36,447
Special Revenue	586,660	489,727	96,933
Debt Service	24,000	23,584	416
Total	<u>\$728,697</u>	<u>\$594,901</u>	<u>\$133,796</u>

The Township was in violation of Ohio Rev. Code Section 5705.41 (D). Prior certification was not presented for several expenditures. Furthermore, purchase orders did not reflect the signature of the Clerk, which validates the Certificate.

**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 Township 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 Mahoning County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to Mahoning 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**  
*(Continued)*

**5. DEBT**

Debt outstanding at December 31, 1998 was as follows:

	Principal	Interest Rate
General Obligation Note	\$28,000	5.16%
Total	\$28,000	

The Township issued a \$42,000 general obligation note in 1996 for the purpose of purchasing a dump truck for the street department, and will be in anticipation of the collection of taxes to be received for that purpose until maturity. The terms of this note require six equal annual payments plus applicable fiscal charges for the period 1997 through 2002. The full faith, credit and revenue of the Township are irrevocably pledged for the prompt payment of the principal and interest on this Note.

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

Year ending December 31:	General Obligation Note
1999	\$8,445
2000	8,084
2001	7,722
2002	7,361
Total	\$31,612

**6. RETIREMENT SYSTEMS**

The Township employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a state operated, 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 1998 and 1997, members of PERS, except full-time police officers, contributed 8.5% of their gross salaries to the PERS. The Township contributed an amount equal to 13.55% of these members gross salaries. Full-time police officers contributed 9.0% of their gross salaries. The Township contributed an amount equal to 16.7% of these members gross salaries. The Township has paid all contributions required through December 31, 1998.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**  
**(Continued)**

**7. RISK MANAGEMENT**

The Township is a member of the Ohio Township Association Risk Management Authority, a Governmental Risk 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
- Police professional liability
- Vehicle

The Township also provides health insurance and dental and vision coverage to full-time employees, and performance bonds for their public officials through private carriers.

**8. YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Township's operations as early as fiscal year 1999.

Coitsville Township has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting Township operations:

- The Township leases the Auditor of State's Uniform Accounting Network (UAN) system for its financial operations. The Auditor of State is responsible for remediating these systems and is solely responsible for any costs associated with this project. As of December 31, 1998, the Auditor of State was validating and testing the UAN system. The Auditor of State completed validation and testing in 1999, and the Township has now installed this version.
- Tax collection for the Township is handled by Mahoning County. The County is responsible for remediating this system, and is solely responsible for any costs associated with this project.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Township is or will be Year 2000 ready, that the Township's remediation efforts will be successful in whole or in part, or that parties with whom the Township does business will be year 2000 ready.



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

Coitsville Township  
Mahoning County  
3711 McCartney Road  
Lowellville, Ohio 44436

To the Board of Trustees:

We have audited the accompanying financial statements of Coitsville Township, Mahoning County, Ohio (the Township), as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated December 29, 1999. We conducted our audit 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 and contracts, 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 1998-41150-001, 1998-41150-002 and 1998-41150-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated December 29, 1999.

**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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 29, 1999.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, faint circular stamp or watermark.

Jim Petro  
Auditor of State

December 29, 1999

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1998 AND 1997**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1998-41150-001**

**Findings for Recovery**

For the period January 1, 1997 through December 31, 1998, the Auditor of State identified \$7,027.20 of various expenditures made without adequate supporting documentation to establish whether said expenditures were for a proper public purpose. Of this amount, \$3,082.44 was paid to various retailers, \$2,472.18 was attributed to meal reimbursements, \$434.31 involved vehicle maintenance expenditures, \$298.50 were payments to hotels, and \$64.00 and \$34.42 was for reimbursement of postage and travel, respectively. Furthermore, the Auditor of State revealed \$641.35 that was charged on the Township's credit card to pay for access to several websites. These charges for the websites are currently being investigated by the Coitsville Police Department where it is alleged that a theft of the Township's credit card number occurred in order to gain access to the websites. As of December 29, 1999, the Coitsville Police Department obtained a refund from a vendor of one of the websites for \$399.00. State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a proper public purpose.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money is issued against the following, jointly and severally, in favor of the Coitsville Township General Fund (amounts were determined based on individuals' association with the above mentioned transactions through approval or otherwise):

- Walter P. Avdey, Township Trustee, in the amount of \$6,106.10;
- Gerald Backo, Township Trustee, in the amount of \$3,402.74;
- Geri Tkac, Township Trustee, in the amount of \$3,369.50;
- Nicholas E. Pope Jr., former Township Trustee, in the amount of \$2,784.53;
- William F. Navarra, Township Clerk, in the amount of \$6,887.20.

Of this amount \$5,000.00 is also against Western Surety Company, the bonding company for the aforementioned individuals for the period January 1, 1997 through December 31, 1998.

**FINDING NUMBER 1998-41150-002**

For the period January 1, 1997 through December 31, 1998, Coitsville Township employees charged in-room movies to hotel bills, made personal long distance telephone calls on Township telephone lines, and included alcoholic beverages in their travel reimbursement. These expenditures, totaling \$140.20, were paid by the Township and do not represent a proper public purpose. State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a proper public purpose.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co., 120 Ohio St. 47 (1929); 1980 Op. Atty. Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. Village of Linndale v. Masten, 18 Ohio St. 3d.228 (1985). Public officials who have control over public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1880 Op. Atty. Gen. No. 80-074.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Walter P. Avdey, Township Trustee, in the amount of \$136.60, and William F. Navarra, Township Clerk, in the amount of \$140.20, and Western Surety Company, their bonding company, in the amount of \$140.20, jointly and severally, in favor of the Coitsville Township General Fund (amounts were determined based on individuals' association with the above mentioned transactions through approval or otherwise).

Walter P. Avdey and William F. Navarra shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from the parties who directly received the benefits therefrom.

There were other Township officials who authorized a limited number of the aforementioned expenditures; the Auditor of State does not require issuance of Findings for Recovery where the amounts in question aggregate \$100.00 or less. Accordingly, those matters have been reported in a separate letter to management. As of December 29, 1999, \$139.08 of the amount has been recovered and credited to the Coitsville Township general fund.

#### **FINDING NUMBER 1998-41150-003**

##### **Noncompliance Citation**

Ohio Rev. Code Section 5705.41 (D) provides that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amounts required to meet such a commitment 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 encumbrance. Furthermore, contracts and orders for expenditure lacking prior certification should be null and void.

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 appropriated and free of any previous encumbrances, the taxing authority 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 if such expenditure is otherwise valid.
- If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the taxing authority.

For 100% of the transactions tested for 1998 and 1997, the purchase orders used contained the required certification language but did not reflect the signature of the Clerk which validates the Certificate.

Furthermore, the obligation date preceded the purchase order date in several expenditures tested to determine the Township's compliance with this provision. As noted above, these transactions did not bear the Clerk's certification and should have been certified at the time of obligation or after obligation using one of the exceptions provided.

The Township honored these contracts and/or orders for expenditure that it did not properly certify rather than declaring them null and void.

Incurring obligations prior to the fiscal officer's certification of the availability of funds for such obligations, could result in the Township expending more than was appropriated and/or available.

We recommend that the Board create a control policy and/or procedures to ensure that purchases are a) certified by the Clerk prior to incurring the obligation or entering into a contract involving the expenditure of the Township's money, or b) certified using one of the exceptions, as per the requirements set forth in Ohio Rev. Code Section 5705.41 (D).



