



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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STATE OF OHIO  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Elkrun Township  
Columbiana County  
P.O. Box 36  
Elkton, Ohio 44415

To the Board of Township Trustees:

We have audited the accompanying financial statements of Elkrun Township, Columbiana County, (the Township) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our 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 and reserves for encumbrances of Elkrun Township, Columbiana County, as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

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

**Jim Petro**  
Auditor of State

June 28, 2000



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

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Expendable Trust Fund</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$25,908	\$94,930			\$120,838
Intergovernmental	48,849	82,948			131,797
Licenses, Permits, and Fees		150			150
Earnings on Investments	5,352	1,203			6,555
Miscellaneous Cash Receipts	80	1,778			1,858
	<hr/>				
Total Cash Receipts	80,189	181,009			261,198
<b>Cash Disbursements:</b>					
General Government	79,588				79,588
Public Safety		15,763			15,763
Public Works		158,665			158,665
Health	7,137	127		84	7,348
Note Principal Payment			8,941		8,941
Interest and Fiscal Charges	259		129		388
Capital Outlay	2,300	10,488			12,788
	<hr/>				
Total Cash Disbursements	89,284	185,043	9,070	84	283,481
Excess of Cash Receipts Over/ (Under) Cash Disbursements	(9,095)	(4,034)	(9,070)	(84)	(22,283)
<b>Other Financing Sources/(Uses):</b>					
Transfers-In			5,426		5,426
Transfers-Out	(5,426)				(5,426)
Other Financing Sources	375				375
	<hr/>				
Total Other Financing Sources/(Uses)	(5,051)		5,426		375
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	(14,146)	(4,034)	(3,644)	(84)	(21,908)
Fund Cash Balances - January 1, 1999	55,894	250,526	2,629	224	309,273
	<hr/>				
<b>Fund Cash Balances - December 31, 1999</b>	<b>\$41,748</b>	<b>\$246,492</b>	<b>(\$1,015)</b>	<b>\$140</b>	<b>\$287,365</b>
	<hr/>				
Reserve for Encumbrances - December 31, 1999	\$50	\$2,038			\$2,088

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

**ELKRUN TOWNSHIP**  
**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**NONEXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

	<b>Nonexpendable Trust</b>
<b>Cash Receipts:</b>	
Earnings on Investments	\$115
Total Cash Receipts	115
<b>Cash Disbursements:</b>	
Excess of Cash Receipts Over Cash Disbursements	115
Fund Cash Balance - January 1, 1999	2,170
Fund Cash Balance - December 31, 1999	<b>\$2,285</b>

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



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

	<u>Governmental Fund Types</u>				<b>Totals</b> <b>(Memorandum</b> <b>Only)</b>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Debt</u> <u>Service</u>	<u>Expendable</u> <u>Trust Fund</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$22,790	\$95,500			\$118,290
Intergovernmental	63,353	73,568			136,921
Licenses, Permits, and Fees		800			800
Earnings on Investments	2,770	4,521			7,291
Miscellaneous Cash Receipts	1,700	500			2,200
Total Cash Receipts	<u>90,613</u>	<u>174,889</u>			<u>265,502</u>
<b>Cash Disbursements:</b>					
General Government	89,619				89,619
Public Safety	38	11,982			12,020
Public Works		117,707			117,707
Health	2,923	25		40	2,988
Note Principal Payment		9,553			9,553
Interest and Fiscal Charges	1,337	267			1,604
Capital Outlay		7,955			7,955
Total Cash Disbursements	<u>93,917</u>	<u>147,489</u>		<u>40</u>	<u>241,446</u>
Excess of Cash Receipts Over/ (Under) Cash Disbursements	(3,304)	27,400		(40)	24,056
<b>Other Financing Sources:</b>					
Other Financing Sources	23,901				23,901
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements	20,597	27,400		(40)	47,957
Fund Cash Balances - January 1, 1998	<u>35,297</u>	<u>223,126</u>	<u>2,629</u>	<u>264</u>	<u>261,316</u>
<b>Fund Cash Balances - December 31, 1998</b>	<u><b>\$55,894</b></u>	<u><b>\$250,526</b></u>	<u><b>\$2,629</b></u>	<u><b>\$224</b></u>	<u><b>\$309,273</b></u>
Reserve for Encumbrances - December 31, 1998	<u>\$2,469</u>	<u>\$747</u>			<u>\$3,216</u>

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

**ELKRUN TOWNSHIP**  
**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**NONEXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 1998**

	<b>Nonexpendable Trust</b>
<b>Cash Receipts:</b>	
Earnings on Investments	\$115
Total Cash Receipts	115
<b>Cash Disbursements:</b>	
Excess of Cash Receipts Over Cash Disbursements	115
Fund Cash Balance - January 1, 1998	2,055
Fund Cash Balance - December 31, 1998	<b>\$2,170</b>
Reserve for Encumbrances - December 31, 1998	<b>\$45</b>

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Elkrun Township, Columbiana 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 Township Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, and fire protection 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**

Certificates of deposit are valued at cost.

The Township did not have investments during the audit period.

**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 maintains the following significant Special Revenue Funds:

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

*Road Levy Fund* - This Fund accounts for levy proceeds received for the construction, maintenance, and repairing of Township roads.

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

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

**3. Debt Service Fund**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Township maintains the following Debt Service Fund:

*Note Retirement Fund* - This Fund accounts for money restricted to satisfying the obligations of notes the Township issued to purchase a truck.

**4. 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 maintains the following Fiduciary Funds:

*Expendable Trust Fund* - This Fund accounts for a trust the Township received for cemetery purposes that both the principle (corpus) and the earnings may be expended.

*Non-Expendable Trust Fund* - This Fund accounts for a trust the Township received for cemetery purposes that only the earnings on the principle (corpus) may be expended.

**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 object 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 1999 and 1998 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.

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

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

**G. Unpaid Vacation and Sick Leave**

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

**2. EQUITY IN POOLED CASH**

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

	<b>1999</b>	<b>1998</b>
Demand deposits	\$275,862	\$298,443
Certificates of Deposits	13,788	13,000
Total Depository	\$289,650	\$311,443

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

**3. BUDGETARY ACTIVITY**

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

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$69,334	\$80,564	\$11,230
Special Revenue	166,431	181,009	14,578
Debt Service	7,000	5,426	(1,574)
Expendable Trust	115	0	(115)
Non-Expendable Trust	0	115	115
Total	\$242,880	\$267,114	\$24,234

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$112,069	\$94,760	\$17,309
Special Revenue	292,376	187,081	105,295
Debt Service	10,000	9,070	930
Expendable Trust	100	84	16
Non-Expendable Trust	45	0	45
Total	\$414,590	\$290,995	\$123,595

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

**3. BUDGETARY ACTIVITY (Continued)**

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,365	\$114,514	\$50,149
Special Revenue	162,202	174,889	12,687
Debt Service	11,000	0	(11,000)
Expendable Trust	115	0	(115)
Non-Expendable Trust	0	115	115
Total	\$237,682	\$289,518	\$51,836

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$96,386	(\$96,386)
Special Revenue	4,502	148,236	(143,734)
Debt Service	0	0	0
Expendable Trust	0	40	(40)
Non-Expendable Trust	0	0	0
Total	\$4,502	\$244,662	(\$240,160)

**4. DEBT OBLIGATIONS**

The Township issued a \$38,212, 5.65%, note in 1995 for the purchase of a truck. The terms of the note require equal annual payments of principal for the period 1996 through 1999 and quarterly payments of accrued interest for the period 1995 through 1999. The Township completed the requirements of this obligation during 1999.

**5. 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.

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

**6. RETIREMENT SYSTEMS**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code prescribes PERS contribution rates. For 1998 and 1999, PERS requires members to contribute 8.5% of their gross salaries. The Township also contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

**7. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- General liability and casualty package
- Health package
- Vehicle package

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

**8. LEGAL COMPLIANCE**

The Township's financial records were maintained contrary to the requirements of the Ohio Revised Code § 507.04 and Ohio Administrative Code Rules 117-3-01 through 117-3-17.

The Debt Service Fund maintained a negative fund cash balance of \$1,015 as of December 31, 1999, contrary to Ohio Revised Code §5705.10.

The Board of Township Trustees did not adopt an annual appropriation measure for 1998 and did not adopt the Township's annual appropriation measure for 1999 until July 28, 1999, contrary to Ohio Revised Code §5705.38.

The Township honored contracts and/or orders for expenditure that were not properly encumbered, contrary to Ohio Revised Code §5705.41 (D).

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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***

Elkrun Township  
Columbiana County  
P.O. Box 36  
Elkton, Ohio 44415

To the Board of Township Trustees:

We have audited the accompanying financial statements of Elkrun Township, Columbiana County, (the Township) as of and for the years ended December 31, 1999 and 1998. 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-41215-001 through 1999-41215-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 28, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be 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 the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-41215-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, the reportable condition listed on the previous page, 1999-41215-005, is considered to be a material weakness. 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 June 28, 2000.

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

**Jim Petro**  
Auditor of State

June 28, 2000

**SCHEDULE OF FINDINGS**  
**ELKRUN TOWNSHIP**  
**COLUMBIANA COUNTY**  
**DECEMBER 31, 1999 AND 1998**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>1999-41215-001</b>
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**Ohio Revised Code § 507.04** provides in part, that the township clerk shall keep an accurate record of the township's accounts and transactions. **Ohio Administrative Code § 117-3-01** provides in part, that each township which employs a cash basis system of accounting shall employ the uniform system of accounting prescribed pursuant to Rules 117-3-01 through 117-3-17 of the Ohio Administrative Code.

The Township's financial records were contrary to the above requirements as follows:

- During the review of receipt and disbursement transactions, we identified fifty-three transactions that were not classified according to the above uniform systems of accounting;
- Certain receipt and disbursement transactions, as supported by source documents, were not posted to the receipts and appropriation ledgers. This resulted in significant reconciling matters on the month-end depository reconciliations that the Clerk did not investigate;
- Certain disbursement transactions were posted twice. This also resulted in significant reconciling matters on the month-end depository reconciliations that the Clerk did not investigate;
- Certain receipts were posted as "*Unknown*" because the Clerk deposited certain public moneys into the bank but did not post the same in a timely manner at which time the Clerk could not identify the source and/or purpose of the public moneys.
- Check numbers did not always agree with the numbers of the same reflected in the Township's financial records thereby impeding the audit trail;
- The Township's financial records required Audit Adjustments as a result of the matters noted above.

We recommend the Township Clerk review the Auditor of State's *Township Handbook* as guidance for proper receipt and appropriation classifications. We also recommend the Board of Township Trustees and/or an Audit Committee monitor the Township's financial activity to ensure the Township's financial records are prepared accurately and timely.

<b>Finding Number</b>	<b>1999-41215-002</b>
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**Ohio Revised Code § 5705.10** provides that money paid into any fund shall be used only for the purposes for which such fund is established.

The Debt Service Fund maintained a negative fund cash balance of \$1,015 as of December 31, 1999. The deficit balance indicates that cash from other Funds has been used to satisfy the obligations of the Debt Service Fund.

**SCHEDULE OF FINDINGS  
(Continued)**

**ELKRUN TOWNSHIP  
COLUMBIANA COUNTY  
DECEMBER 31, 1999 AND 1998**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>1999-41215-003</b>
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**Ohio Revised Code § 5705.38** provides that on or about the first day of each year, the taxing authority of each subdivision shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget and the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April of the current year. And the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

The Board of Township Trustees did not adopt an annual appropriation measure for 1998 and did not adopt the Township's annual appropriation measure for 1999 until July 28, 1999.

<b>Finding Number</b>	<b>1999-41215-004</b>
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**Ohio Revised Code § 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 amount 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 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 authority, upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.

The invoice date preceded the purchase order date for twenty-four of the sixty transactions tested to determine the Township's compliance with this provision. The Township honored these contracts and/or orders for expenditure that it did not encumber properly rather than declaring them null and void.

**SCHEDULE OF FINDINGS  
(Continued)**

**ELKRUN TOWNSHIP  
COLUMBIANA COUNTY  
DECEMBER 31, 1999 AND 1998**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>1999-41215-005</b>
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The small size of the Township does not allow for an adequate segregation of duties. The Township Clerk performs solely the accounting functions for the Township. However, the Clerk only provides monthly Fund Status Reports and the vouchers to the Board of Township Trustees and no other financial report or documentation. While the Board approves all payments, there is no documentation of the extent to which the Board uses other financial information to monitor the Township's financial activity.

The Township's accounting system was deficient in many areas because certain of the above financial records were not prepared accurately and promptly. Originally, because of these deficiencies, the financial records had to be reconstructed to prepare the financial statements. Further, these deficiencies existed in the prior audit period.

We recommend the Board of Township carefully review this matter and create policies and/or procedures that ensure the Township's financial records are prepared accurately and timely which would facilitate the Board's monitoring of the Township's financial activity and provide the Board necessary information to manage the Township. Furthermore, these policies and/or procedures may also assist the Township in complying with certain applicable provisions of the Ohio Revised Code and the Ohio Administrative Code. The policies and/or procedures should include, but are not limited to the following:

- Review the annual unaudited financial report submitted to the Auditor of State. The review should include the preparation of analytics or a comparable mechanism to identify unusual and/or significant fluctuations in amounts reflected in the financial report as compared with prior financial reports;
- Periodically review the process used to prepare interim financial information submitted to the Board. The review should include procedures that ensure transactions are posted to the appropriate fund and line-item in the Appropriation and Receipt Ledgers and that totals of the Cash Journal and Appropriation and Receipt Ledgers are compared. The Board should use the Auditor of State's *Township Handbook* as guidance for these procedures;
- Review the support for the monthly cash reconciliation and sign off upon the same;
- Periodically review the process used to ensure compliance with laws and regulations applicable to the Township and review the Auditor of State's *Ohio Compliance Supplement*, revised June 1999;
- Periodically review the process used to prevent, deter, and detect fraud.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**ELKRUN TOWNSHIP**  
**COLUMBIANA 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  
AUGUST 8, 2000**