



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Mohican Township
Ashland County
369 Township Road 2252
Jeromesville, Ohio 44840

To the Board of Trustees:

We have audited the accompanying financial statements of Mohican Township, Ashland 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 audits.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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

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

Jim Petro
Auditor of State

May 26, 2000

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$9,698	\$53,613		\$63,311
Intergovernmental	38,389	64,710		103,099
Earnings on Investments	853	298		1,151
Miscellaneous	1,099	3,005		4,104
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	50,039	121,626		171,665
Cash Disbursements:				
Current:				
General Government	64,586			64,586
Public Works		138,298		138,298
Health	1,667			1,667
Debt Service:				
Redemption of Principal			9,027	9,027
Interest and Fiscal Charges			2,262	2,262
Capital Outlay	1,306			1,306
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	67,559	138,298	11,289	217,146
Total Cash Receipts (Under) Cash Disbursements	(17,520)	(16,672)	(11,289)	(45,481)
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets	3,257			3,257
Transfers-In		1,000	9,371	10,371
Transfers-Out	(10,371)			(10,371)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(7,114)	1,000	9,371	3,257
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(24,634)	(15,672)	(1,918)	(42,224)
Fund Cash Balances, January 1	37,496	32,113	1,918	71,527
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Fund Cash Balances, December 31	\$12,862	\$16,441	\$0	\$29,303
	<hr/>	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	\$0	\$0	\$0	\$0

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, 1998**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$10,868	\$50,228	\$6,000	\$67,096
Intergovernmental	44,412	59,785		104,197
Earnings on Investments	1,100	523		1,623
Miscellaneous	2,834	4,291		7,125
Total Cash Receipts	<u>59,214</u>	<u>114,827</u>	<u>6,000</u>	<u>180,041</u>
Cash Disbursements:				
Current:				
General Government	55,294			55,294
Public Works		116,279		116,279
Health	2,792			2,792
Debt Service:				
Redemption of Principal			10,800	10,800
Interest and Fiscal Charges			362	362
Capital Outlay	10,590			10,590
Total Cash Disbursements	<u>68,676</u>	<u>116,279</u>	<u>11,162</u>	<u>196,117</u>
Total Cash Receipts (Under) Cash Disbursements	(9,462)	(1,452)	(5,162)	(16,076)
Other Financing Receipts:				
Sale of Fixed Assets	6,232			6,232
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(3,230)	(1,452)	(5,162)	(9,844)
Fund Cash Balances, January 1	40,726	33,565	\$7,080	81,371
Fund Cash Balances, December 31	<u>\$37,496</u>	<u>\$32,113</u>	<u>\$1,918</u>	<u>\$71,527</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Mohican Township, Ashland County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance.

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

The Township had no investments during the audit period.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Gasoline Tax Fund - This fund is used to account for gasoline tax revenue received and used to pay for repair and maintenance of Township roads and equipment.

Road & Bridge Fund - This fund is used to account for tax revenue received and used to pay for road resurfacing.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment of note indebtedness. The Township had the following significant Debt Service Fund:

Note Retirement Fund - This fund is used to accumulate resources for the payment of principal and interest on the Township's notes for a truck and payment of a lease purchase agreement for a backhoe.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of 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.

During 1999 and 1998, the Township did not encumber all commitments as required by Ohio law.

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

F. Property, Plant and Equipment

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

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

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:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$29,303	\$71,527

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

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

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$50,753	\$53,296	\$2,543
Special Revenue	120,187	122,626	2,439
Debt Service	2,000	9,371	7,371
Total	\$172,940	\$185,293	\$12,353

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$88,249	\$77,930	\$10,319
Special Revenue	152,300	138,298	14,002
Debt Service	3,917	11,289	(7,372)
Total	\$244,466	\$227,517	\$16,949

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,320	\$65,446	\$9,126
Special Revenue	106,316	114,827	8,511
Debt Service	6,000	6,000	0
Total	\$168,636	\$186,273	\$17,637

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

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$97,047	\$68,676	\$28,371
Special Revenue	139,881	116,279	23,602
Debt Service	13,080	11,162	1,918
Total	\$250,008	\$196,117	\$53,891

Contrary to Ohio Rev. Code Section 5705.41 (B), the Township had expenditures which exceeded appropriations in the Debt Service Fund as of December 31, 1999.

Contrary to Ohio Rev. Code Section 5705.41 (D), during 1999 and 1998, the Township did not always certify the availability of funds for its expenditures.

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Lease/Purchase Agreement	\$30,314	5.75%

The lease/purchase agreement was obtained to finance the purchase of a backhoe to be used for Township road maintenance. The agreement is collateralized solely by the backhoe.

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

5. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>Lease/ Purchase Agreement</u>
2000	\$11,288
2001	11,288
2002	<u>11,288</u>
Total	<u><u>\$33,864</u></u>

6. RETIREMENT SYSTEM

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 postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

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

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

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

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

Mohican Township
Ashland County
369 Township Road 2252
Jeromesville, Ohio 44840

To the Board of Trustees:

We have audited the accompanying financial statements of Mohican Township, Ashland County, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 26, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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 1999-40503-001 and 1999-40503-002.

We also noted other immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 26, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 May 26, 2000.

Mohican Township
Ashland County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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 in a cursive style.

Jim Petro
Auditor of State

May 26, 2000

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

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

Finding Number	1999-40503-001
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Ohio Rev. Code Section 5705.41(D) states, in part, that:

No subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

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

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Of the transactions tested for the audit period, 48% were not properly certified by the Clerk prior to the obligation of the expenditure. In addition, neither of the two exceptions were utilized. Failure to certify the availability of funds prior to entering into the commitment could result in making commitments in excess of available funds. The Township should establish procedures to ensure that all expenditures are certified prior to their obligation.

Finding Number	1999-40503-002
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Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 1999, expenditures totaling \$11,289 exceeded appropriations by \$7,372 in the Debt Service Fund. This could increase the likelihood of funds being obligated for a commitment when those funds are not available to pay the obligation, thereby resulting in deficit fund balances. We recommend the Township appropriate monies prior to making expenditures.



STATE OF OHIO
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MOHICAN TOWNSHIP

ASHLAND 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
JULY 25, 2000**