



**READING TOWNSHIP  
PERRY COUNTY**

**REGULAR AUDIT**

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



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

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Reading Township  
Perry County  
P.O. Box 369  
Somerset, Ohio 43783

To the Board of Trustees:

We have audited the accompanying financial statements of Reading Township, Perry 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.

Except as discussed in the following paragraph, 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.

We were unable to obtain sufficient evidential matter supporting Charges for Services from pool receipts of the Park Levy Fund-Special Revenue Fund Type in 1998 and Charges for Services from pool receipts of the General Fund in 1997, nor were we able to satisfy ourselves as to completeness and accuracy by other procedures. For 1998, Charges for Services represents 8% of the revenue of the Special Revenue Fund Type. For 1997, Charges for Services represents 20% of the revenue of the General Fund.

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, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to obtain sufficient evidential matter to support the amounts recorded as Charges for Services revenue of the Township's Park Levy Fund-Special Revenue Fund Type for 1998 and Charges for Services revenue of the Township's General Fund for 1997, 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 February 1, 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 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

February 1, 2000

**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>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$40,105	\$185,257	\$225,362
Intergovernmental	27,228	82,293	109,521
Charges for Services		73,262	73,262
Licenses, Permits, and Fees	2,240		2,240
Earnings on Investments	12,418	758	13,176
Other Revenue		7,195	7,195
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	81,991	348,765	430,756
<b>Cash Disbursements:</b>			
Current:			
General Government	59,640		59,640
Public Safety		75,800	75,800
Public Works	303	99,249	99,552
Health	1,550		1,550
Conservation - Recreation	2,227	44,422	46,649
Capital Outlay	5,305	175,772	181,077
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	69,025	395,243	464,268
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	12,966	(46,478)	(33,512)
<b>Other Financing Receipts:</b>			
Other Sources	<hr/>	<hr/>	<hr/>
	7,544	10,500	18,044
Total Other Financing Receipts	<hr/>	<hr/>	<hr/>
	7,544	10,500	18,044
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	20,510	(35,978)	(15,468)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	110,487	264,002	374,489
<b>Fund Cash Balances, December 31</b>	<hr/> <b>\$130,997</b> <hr/>	<hr/> <b>\$228,024</b> <hr/>	<hr/> <b>\$359,021</b> <hr/>

*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>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$42,209	\$200,184	\$242,393
Intergovernmental	45,341	75,906	121,247
Charges for Services	25,967	25,041	51,008
Licenses, Permits, and Fees	1,060		1,060
Earnings on Investments	9,899	1,276	11,175
Other Revenue	241	4,344	4,585
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	124,717	306,751	431,468
<b>Cash Disbursements:</b>			
Current:			
General Government	57,000		57,000
Public Safety		57,630	57,630
Public Works	2,287	113,791	116,078
Health	1,523		1,523
Conservation - Recreation	22,179	18,311	40,490
Capital Outlay	36,731	67,235	103,966
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	119,720	256,967	376,687
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	4,997	49,784	54,781
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		5,292	5,292
Transfers-Out	(5,292)		(5,292)
Other Sources	491		491
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(4,801)	5,292	491
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	196	55,076	55,272
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	110,291	208,926	319,217
<b>Fund Cash Balances, December 31</b>	<hr/> <b>\$110,487</b>	<hr/> <b>\$264,002</b>	<hr/> <b>\$374,489</b>

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



**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1998 AND 1997**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Reading Township, Perry 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, fire protection and emergency medical services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Park Levy Fund - This fund receives property tax money to maintain the park and grounds. Additionally, this fund receives charges for services from the public to cover the cost of providing pool recreation services.

EMS Levy Fund - This fund receives property tax money to provide emergency medical services. Additionally, this fund receives charges for services money for providing emergency services to non-residents of the Township.

**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. 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**

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**  
**(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	\$339,021	\$334,489
Certificates of deposit	<u>20,000</u>	<u>40,000</u>
Total deposits	<u><u>\$359,021</u></u>	<u><u>\$374,489</u></u>

**Deposits:** Deposits are either (1) insured by the Federal Deposit 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, 1998 and 1997, follows:

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,631	\$89,535	\$16,904
Special Revenue	<u>303,090</u>	<u>359,265</u>	<u>56,175</u>
Total	<u><u>\$375,721</u></u>	<u><u>\$448,800</u></u>	<u><u>\$73,079</u></u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$184,000	\$69,025	\$114,975
Special Revenue	<u>577,700</u>	<u>395,243</u>	<u>182,457</u>
Total	<u><u>\$761,700</u></u>	<u><u>\$464,268</u></u>	<u><u>\$297,432</u></u>

1997 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$104,021	\$125,208	\$21,187
Special Revenue	<u>294,010</u>	<u>312,043</u>	<u>18,033</u>
Total	<u><u>\$398,031</u></u>	<u><u>\$437,251</u></u>	<u><u>\$39,220</u></u>

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1998 AND 1997  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

1997 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$198,900	\$125,012	\$73,888
Special Revenue	496,500	256,967	239,533
Total	\$695,400	\$381,979	\$313,421

**4. PROPERTY TAX**

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

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

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

**5. RETIREMENT SYSTEMS**

The Township's officials and 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. PERS members 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, 1998.

**6. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1998 AND 1997  
(Continued)**

**7. SWIMMING POOL ACCOUNTING**

The pool activity was previously accounted for in the General Fund. In 1998, the Township started to account for the pool activity in the Park Levy Fund, a Special Revenue Fund Type.

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

Reading Township  
Perry County  
P.O. Box 369  
Somerset, Ohio 43783

To the Board of Trustees:

We have audited the accompanying financial statements of Reading Township, Perry County, Ohio (the Township), as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated February 1, 2000, which was qualified because of a lack of sufficient evidence supporting charges for services of the Park Levy Fund-Special Revenue Fund Type in 1998 and charges for services of the General Fund in 1997. 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, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1998-41064-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated February 1, 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 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 number 1998-41064-002.

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 described above 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 February 1, 2000.

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.

**Jim Petro**  
Auditor of State

February 1, 2000



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

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

**FINDING NUMBER 1998-41064-001**

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any 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:

- A. 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 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, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees.

Thirty-six percent of disbursements tested for 1998 and thirty-one percent of disbursements tested for 1997, greater than one thousand dollars, were not properly certified by the Clerk and were not encumbered until the time of payment. These commitments were not subsequently approved by the Board of Trustees within the aforementioned 30 day time period.

We recommend that liabilities, contracts, and open purchase commitments be certified by the Clerk in accordance with Ohio Rev. Code 5705.41(D) and its provisions.

**FINDING NUMBER 1998-41064-002**

**Pool Receipts**

The Township did not maintain adequate supporting documentation for concession receipts at the pool for 1998 and 1997. Additionally, the Township did not maintain adequate documentation for pool admission receipts in 1997. As a result, we could not obtain sufficient evidence to support the completeness and accuracy of charges for services-pool receipts.

We recommend the Township distinguish between the different concession items sold and maintain a tally sheet or some other documentation that supports these items. We also recommend that concession employees perform a reconciliation of items sold to receipts collected on a daily basis. This reconciliation should be reviewed by someone independent of collections. This review could be documented by initialing and dating the reconciliation.

Township management should compare concession receipts to food purchase costs (factoring in a markup percentage) to determine if receipts being submitted seem reasonable. Management should document these analyses and retain them.

**CORRECTIVE ACTION PLAN  
DECEMBER 31, 1998 AND 1997**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1998-41064-002	In 1998, the Township started to document the number of customers admitted to the pool on the daily report so as the number of customers could be reconciled to daily cash collections for admissions.	N/A	Ann Sweeney, Clerk



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**READING TOWNSHIP**

**PERRY 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  
APRIL 18, 2000**