



**Auditor of State
Betty Montgomery**

RECOVERY TOWNSHIP
MERCER COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2003	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	18

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Auditor of State Betty Montgomery

REPORT OF INDEPENDENT ACCOUNTANTS

Recovery Township
Mercer County
1757 St. Joe Rd
Fort Recovery, Ohio 45846

To the Board of Trustees:

We have audited the accompanying financial statements of Recovery Township (the Township) as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe 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 accounting principles generally accepted in the United States of America.

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, 2003 and December 31, 2002, 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 15, 2004 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Recovery Township
Mercer County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 15, 2004

**RECOVERY TOWNSHIP
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$14,440	\$51,554	\$65,994
Payment in Lieu of Taxes	1,203		1,203
Intergovernmental	51,360	84,429	135,789
Special Assessments		985	985
Licenses, Permits, and Fees	400		400
Other Revenue	18		18
	<u>67,421</u>	<u>136,968</u>	<u>204,389</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	64,937		64,937
Public Safety	2,298		2,298
Public Works		82,709	82,709
Health	4,825		4,825
Capital Outlay		21,500	21,500
	<u>72,060</u>	<u>104,209</u>	<u>176,269</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	(4,639)	32,759	28,120
Other Financing Receipts:			
Other Sources	100		100
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements			
	(4,539)	32,759	28,220
Fund Cash Balances, January 1	1,638	12,680	14,318
Fund Cash Balances, December 31	<u><u>(\$2,901)</u></u>	<u><u>\$45,439</u></u>	<u><u>\$42,538</u></u>

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

**RECOVERY TOWNSHIP
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$14,345	\$50,433		\$64,778
Payment in Lieu of Taxes	1,203			1,203
Intergovernmental	46,007	65,713	7,106	118,826
Special Assessments		931		931
Licenses, Permits, and Fees	125			125
Other Revenue	316	2,250		2,566
	<u>61,996</u>	<u>119,327</u>	<u>7,106</u>	<u>188,429</u>
Total Cash Receipts				
	<u>61,996</u>	<u>119,327</u>	<u>7,106</u>	<u>188,429</u>
Cash Disbursements:				
Current:				
General Government	75,544			75,544
Public Safety	2,298			2,298
Public Works		113,896		113,896
Health	3,722			3,722
Capital Outlay		1,476	7,106	8,582
	<u>81,564</u>	<u>115,372</u>	<u>7,106</u>	<u>204,042</u>
Total Cash Disbursements				
	<u>81,564</u>	<u>115,372</u>	<u>7,106</u>	<u>204,042</u>
Total Receipts Over/(Under) Disbursements	(19,568)	3,955	0	(15,613)
Fund Cash Balances, January 1	21,206	8,725		29,931
Fund Cash Balances, December 31	<u>\$1,638</u>	<u>\$12,680</u>	<u>\$0</u>	<u>\$14,318</u>

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

**RECOVERY TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Recovery Township, Mercer 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 road and bridge maintenance and emergency medical services. The Township contracts with Mercer County Ambulance Service to provide ambulance 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

The Township has no interest in investments.

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.

**RECOVERY TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Project Fund:

Issue II Fund (FY02) - The Township received a grant from Ohio Public Works Commission for the 2002 road project.

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 2003 and 2002 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.

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:

	2003	2002
Demand deposits	<u>\$42,538</u>	<u>\$14,318</u>

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

**RECOVERY TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,618	\$67,521	\$2,903
Special Revenue	125,632	136,968	11,336
Total	\$190,250	\$204,489	\$14,239

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$72,060	(\$72,060)
Special Revenue	0	104,209	(104,209)
Total	\$0	\$176,269	(\$176,269)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$61,935	\$61,996	\$61
Special Revenue	125,228	119,327	(5,901)
Capital Projects	0	7,106	7,106
Total	\$187,163	\$188,429	\$1,266

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$81,564	(\$81,564)
Special Revenue	0	115,372	(115,372)
Capital Projects	0	7,106	(7,106)
Total	\$0	\$204,042	(\$204,042)

Contrary to Ohio Law, Appropriation measures were not passed during 2003 and 2002, therefore all expenditures exceed appropriations.

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.

**RECOVERY TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX (Continued)

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 elected officials 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 2003 and 2002, 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, 2003.

6. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**RECOVERY TOWNSHIP
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RISK MANAGEMENT (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31 2002 and 2001 (the latest information available):

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	<u>(9,197,512)</u>	<u>(9,379,003)</u>
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	<u>(1,204,326)</u>	<u>(647,667)</u>
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

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Auditor of State Betty Montgomery

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

Recovery Township
Mercer County
1757 St Joe Rd
Fort Recovery, OH 45846

To the Board of Trustees:

We have audited the financial statements of Recovery Township, Mercer County (the Township) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated June 15, 2004 wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 2003-001 and 2003-008. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 15, 2004.

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 2003-009.

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, we consider item 2003-009 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 15, 2004.

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



Betty Montgomery
Auditor of State

June 15, 2004

RECOVERY TOWNSHIP
MERCER COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Const., Art. II, Section 20, prohibits public officials from receiving increases in compensation in the middle of a term of office. Insurance Coverage provided to public officers at the expense of the political subdivision they serve constitutes compensation for purposes of Ohio Const. Art. II, Section 20. **2001 Op. Atty. Gen. No. 2001-025** indicates Ohio Const., Art. II, Section 20, does not prohibit a township trustee or clerk, who is holding office at the time the board of township trustees adopts a resolution to provide health benefits, from receiving such benefits if he pays the entire amount of the premiums from his own financial resources.

Recovery Township changed insurance carriers and modified insurance benefits provided under the group plan during September 2002. The change in benefits included the addition of dental and vision coverage not previously provided or authorized by the Township. The Clerk and the three Trustees accepted the coverage effective October, 2002, and the premium expense for the additional coverage was paid by the Township. All officials were in the middle of a current term of office. Premium expenses incurred by the Township for the vision and dental coverage for the Clerk and three Trustees for the period effective October 2002 to December 2003 were \$1,125.79 per official or \$4,503.16.

The Township should review health care provisions of the Revised Code and seek the advice of legal counsel prior to making changes to benefits. An In-term change in insurance benefits is considered a change in compensation and is prohibited under the Constitution. The benefits may be accepted by the officials, however the premiums must be paid from the officials own resources. The Township should only pay for the costs of allowable insurance policies under these sections, any future violations may result in findings for recovery against the officials.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 507.04 states the township clerk shall keep an accurate record of the proceedings of the board of township trustees at all its meetings. **Ohio Rev. Code Section 121.22(C)** states that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. A resolution, rule, or formal action of any kind is invalid unless adopted in an open meeting of the public body.

The township holds two meetings each month, however there is evidence of only one meeting a month during 2002. The township minutes were also missing pertinent information such as the approval of the annual appropriation measure, acceptance of levy of the necessary tax rates, amendments and supplemental to annual appropriation measure, contracts, public notices, and bid notices.

The minutes, being the voice of the Township, should be maintained and open for public inspection for every meeting held. The minutes should include all pertinent information such as public notices, bid notices, resolution approvals, and contracts.

FINDING NUMBER 2003-003

Noncompliance Citation

Ohio Rev. Code 5549.21 states that competitive bidding is required in purchase of materials, machinery and tools to be used in constructing, maintaining and repairing roads and culverts, where the amount involved exceeds \$15,000 (\$25,000 after 9/26/03).

The Township entered into contracts with for road repairs for \$25,864.65 during 2001 and \$17,883.66 during 2002 that exceeded \$15,000 and were not bid.

The Township needs to bid out all contracts that exceed \$15,000 in purchase of materials, machinery and tools to be used in constructing, maintaining and repairing roads and culverts.

FINDING NUMBER 2003-004

Noncompliance Citation

Ohio Rev. Code Section 5705.10 requires all revenue derived from a special levy to be credited to a special fund for the purpose for which the levy was made. The Gasoline Tax Fund was established to account for the Township's share of monies received from the Gasoline Tax.

During 2003, the Township credited gasoline tax monies from the County in the amount of \$1,292 to the Road and Bridge Fund rather than the Gasoline Tax Fund, requiring an adjustment between the two funds. The Township has agreed to and posted the adjustment and the adjustment is reflected in the accompanying financial statements.

The Township should monitor the receipt of monies into various funds and refer to the Township chart of accounts when there is a question of appropriate fund or account coding.

FINDING NUMBER 2003-005

Noncompliance Citation

Ohio Rev. Code Section 5705.38 states that an annual appropriation measure is to be passed on or about the first day of each fiscal year. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

During 2003, the permanent appropriations were filed with the Mercer County Auditor on January 30. Per the resolution, the township passed the appropriations on January 29, 2003, however the resolution is not documented as being passed in the minutes nor is the resolution signed by the Trustees.

During 2002, the permanent appropriations were filed with the Mercer County Auditor on January 28. Per the resolution, the township passed the appropriations on January 25, 2002, however the resolution is not documented as being passed in the minutes nor is the resolution signed by the Trustees.

The township needs to approve the annual appropriations measure by a resolution signed by the Trustees with the approval documented in the minutes.

FINDING NUMBER 2003-006

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund is established. The following restricts the use of the Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road & Bridge Fund, and the Permissive Motor Vehicle License Tax Fund:

Ohio Rev. Code Section 4503.02 states no part of the Motor Vehicle License tax funds shall be used for any purpose except planning, constructing, maintaining, and repairing public roads and highways, maintaining bridges and viaducts.

Ohio Rev. Code Section 5735.27 (A)(5)(c) indicates gasoline tax monies shall be expended by each township for the sole purpose of planning, constructing, maintaining, widening, and reconstructing the public roads and highways within such township. No part of the funds shall be used for any purpose except to pay in whole or part the contract price of any such work done by contract, or to pay the cost of labor in planning, constructing, widening, and reconstructing such roads and highways, and the cost of materials forming a part of the improvement; provided, that such funds may be used for the purchase of road machinery and equipment and for the planning, construction, and maintenance of suitable buildings for housing road machinery and equipment.

The Road and Bridge Fund is the fund used to account for a special levy within the ten mill limitation in accordance with **Ohio Revised Code Section 5705.06(F)** for the construction, reconstruction, resurfacing, and repair of roads and bridges, excluding state roads and bridges, including the township's portion of the cost of the construction, improvement, maintenance, and repair of county roads and bridges

Ohio Rev. Code Section 4504.18 requires Permissive Motor Vehicle License taxes to be used for the purpose of paying the costs and expenses of enforcing and administering the tax provided for in this section; for the construction, reconstruction, improvement, maintenance, and repair of township roads, bridges, and culverts; for purchasing, erecting, and maintaining traffic signs, markers, lights, and signals; for purchasing road machinery and equipment, and planning, constructing, and maintaining suitable buildings to house such equipment; for paying any costs apportioned to the township under section 4907.47 of the Revised Code; and to supplement revenue already available for such purposes.

During 2003, the Township posted the ambulance contract expenditures of \$4,270 to the Gasoline Tax Fund and expenditures of \$3,991 to the Motor Vehicle License Tax Fund instead of the General Fund. Also, the Township posted the Health District expenditures of \$2,411 to the Road & Bridge Fund and expenditures of \$2,414 to the Permissive Motor Vehicle License Tax Fund instead of the General Fund. The Township has agreed to and posted the adjustments and the adjustments are reflected in the accompanying financial statements.

The Township should implement review and monitoring procedures to help assure that expenditures are charged to the correct funds.

FINDING NUMBER 2003-007

Noncompliance Citation

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

For 2003 and 2002, the Board of Trustee did not approve the annual appropriations. Therefore, expenditures exceeded appropriations for 100% of expenditures during the audit period.

Not approving appropriations could lead to unapproved spending, expending money that is not available, and negative fund balances.

The Township should adopt the annual appropriations at the beginning of the fiscal year, note the Trustees' approval in the minutes, and submit the approved appropriations to the County Auditor.

FINDING NUMBER 2003-008

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states 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. Further, contracts and orders for expenditures lacking prior certificate should be considered null and void. If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000 (\$3,000 after April 7, 2003), the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

Twenty-one percent of expenditures were not properly certified during the audit period. In addition, there was no evidence of subsequent certification (then and now certification) by the fiscal officer and authorization by the board of trustees.

The Township should review Ohio Rev. Code Section 5705.41(D) and implement procedures for certification of funds. The Township should obtain the required certification prior to obligating Township funds when practicable. The exceptions should be used when prior certification is not practicable.

FINDING NUMBER 2003-009

Material Weakness

Allocation and Proper Posting of Revenues and Expenditures

The Township should only post revenues and expenditures that relate to a particular fund to that fund. The following instances were noted in relation to posting and allocation of revenues and expenditures:

- The Township posted the ambulance contract expenditures of \$2,298 to the Road & Bridge Fund during 2003 and expenditures of \$2,298 to the Gasoline Tax Fund during 2002 instead of the General Fund.
- During 2003, Health District expenditures of \$2,411 were posted to Road & Bridge – Public Works and expenditures of \$2,414 were posted to Permissive Motor Vehicle License Tax – Public Works instead of General Fund - Health.
- During 2003, Gas Tax monies were posted to Road & Bridge Fund instead of Gasoline Tax Fund.
- During 2002, Road & Bridge homestead & rollback monies were posted to the General Fund instead of Road & Bridge Fund.
- During 2002, Issue II monies that were reimbursed to the Township were posted to Road & Bridge – Public Works instead of Road & Bridge – Capital Outlay.
- The Township procured insurance coverage from the Ohio Township Association Risk Management Authority for legal liability, automobile liability, wrongful acts, auto physical damage, property coverage for buildings and content and inland marine. The Road & Bridge Fund paid the premium and costs for this coverage. While one of the Township's main duties is the maintenance and repair of roads, it is not appropriate that the Road & Bridge Fund bears the total costs of the insurance coverage.
- PERS, taxes, and insurance for payroll were split between the proper account and "other".

By misposting and not properly allocating the expenditures, the Township could present inaccurate financial statements, causing a false image of the Township's financial position.

The Township should implement review and monitoring procedures to help assure that revenue and expenditures are charged and/or allocated to the correct funds. The Township should review the relationship between the revenue/expenditure, the purpose of the fund and the benefit derived from the revenue/expenditure when allocating costs to various funds.

The Township should post all revenues and expenditures in the proper fund/function and line item to assure the balance of each fund and line item is accurate. The Township needs to refer to the UAN manual, appendix A for proper fund/function/object coding.

**RECOVERY TOWNSHIP
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40254-001	ORC Sec. 5705.10 – Fund expenditures not paid for correct purpose.	No	Repeated
2001-40254-002	ORC Sec. 5705.38 – Failure to adopt a timely appropriation resolution.	No	Repeated
2001-40254-003	ORC Sec. 5705.41(D) – Expenditures not certified prior to payment.	No	Repeated
2001-40254-004	ORC Sec. 5549.21 – Failure to properly follow bidding requirements.	No	Repeated



**Auditor of State
Betty Montgomery**

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800-282-0370

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RECOVERY TOWNSHIP

MERCER 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 19, 2004**