



**Mary Taylor, CPA**  
Auditor of State



**LAKE TOWNSHIP  
ASHLAND COUNTY**

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# Mary Taylor, CPA

Auditor of State

Lake Township  
Ashland County  
2499 CR 175  
Loudonville, Ohio 44842

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

February 15, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Lake Township  
Ashland County  
2499 CR 175  
Loudonville, Ohio 44842

To the Board of Trustees:

We have audited the accompanying financial statements of Lake Township, Ashland County, Ohio, (the Township) as of and for the years ended December 31, 2005 and 2004. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, 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 Lake Township, Ashland County, Ohio as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

As discussed in Note 7 to the financial statements, the Township had a negative cash fund balance in the General Fund of \$10,377 and \$7,567 at December 31, 2005 and 2004, respectively. Management's plans in regard to this matter are also described in Note 7. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA  
Auditor of State

February 15, 2007



**LAKE TOWNSHIP  
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Non-Expendable Trust</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$9,520	\$47,525		\$57,045
Intergovernmental	27,304	101,859		129,163
Licenses, Permits, and Fees	1,030			1,030
Earnings on Investments	105	51	\$4	160
Other Revenue	1,105			1,105
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	39,064	149,435	4	188,503
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>				
Current:				
General Government	38,657	1,656		40,313
Public Safety		2,167		2,167
Public Works	2,794	124,801		127,595
Health	423			423
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	41,874	128,624		170,498
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(2,810)	20,811	4	18,005
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts:</b>				
Sale of Fixed Assets		3,900		3,900
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(2,810)	24,711	4	21,905
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances (Deficit), January 1	(7,567)	37,614	772	30,819
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances (Deficit), December 31</b>	<b><u>(\$10,377)</u></b>	<b><u>\$62,325</u></b>	<b><u>\$776</u></b>	<b><u>\$52,724</u></b>
	<hr/>	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	<u>\$1,832</u>	<u>\$5,638</u>	<u>\$0</u>	<u>\$7,470</u>

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

**LAKE TOWNSHIP  
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types		Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Non-Expendable Trust	
<b>Cash Receipts:</b>				
Local Taxes	\$9,483	\$46,619		\$56,102
Intergovernmental	27,257	82,674		109,931
Licenses, Permits, and Fees	1,710			1,710
Earnings on Investments	33	12	\$21	66
Other Revenue	2,745	155		2,900
<b>Total Cash Receipts</b>	<b>41,228</b>	<b>129,460</b>	<b>21</b>	<b>170,709</b>
<b>Cash Disbursements:</b>				
Current:				
General Government	44,148	7,452		51,600
Public Safety		7,529		7,529
Public Works	3,765	100,725		104,490
Health	427			427
Debt Service:				
Redemption of Principal		7,808		7,808
Interest and Fiscal Charges		678		678
Capital Outlay	236	53		289
<b>Total Cash Disbursements</b>	<b>48,576</b>	<b>124,245</b>		<b>172,821</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(7,348)</b>	<b>5,215</b>	<b>21</b>	<b>(2,112)</b>
<b>Other Financing Receipts:</b>				
Sale of Fixed Assets		8,500		8,500
<b>Total Other Financing Receipts/(Disbursements)</b>		<b>8,500</b>		<b>8,500</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,348)	13,715	21	6,388
Fund Cash Balances (Deficit), January 1	(219)	23,899	751	24,431
<b>Fund Cash Balances (Deficit), December 31</b>	<b>(\$7,567)</b>	<b>\$37,614</b>	<b>\$772</b>	<b>\$30,819</b>
Reserve for Encumbrances, December 31	\$366	\$8,178	\$0	\$8,544

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

**LAKE TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Lake Township, Ashland County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the West Holmes Fire District, Village of Loudonville and the Village of Jeromesville to provide fire services 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

**C. Cash**

Certificates of deposit are valued at cost. The Township has no investments.

**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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds 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.

**LAKE TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

**D. Fund Accounting (Continued)**

**3. Fiduciary Funds (Trust Funds)**

These funds account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary funds:

County Line Cemetery Trust – Earnings on trust corpus are used to maintain cemetery grounds. The earnings are from a certificate of deposit held with Green 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 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. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**LAKE TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**2. EQUITY IN POOLED CASH**

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

	2005	2004
Demand deposits	\$52,474	\$30,569
Certificates of deposit	250	250
Total deposits	\$52,724	\$30,819

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,671	\$39,064	\$2,393
Special Revenue	109,936	153,335	43,399
Fiduciary	5,022	4	(5,018)
Total	\$151,629	\$192,403	\$40,774

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$43,706	(\$43,706)
Special Revenue	0	134,262	(134,262)
Fiduciary	0	0	0
Total	\$0	\$177,968	(\$177,968)

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,260	\$41,228	\$4,968
Special Revenue	108,007	137,960	29,953
Fiduciary	21	21	0
Total	\$144,288	\$179,209	\$34,921

**LAKE TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,295	\$48,942	(\$9,647)
Special Revenue	127,212	132,423	(5,211)
Fiduciary	771		771
Total	\$167,278	\$181,365	(\$14,087)

Contrary to Ohio Rev. Code 5705.10, at December 31, 2005 and 2004, the General Fund had cash deficit balances of \$10,377 and \$7,567, respectively.

Contrary to Ohio Rev. Code 5705.38, the Township did not adopt a permanent appropriation measure for 2005.

Contrary to Ohio Rev. Code 5705.39, the Township had appropriations which exceeded estimated resources at December 31, 2004 in the general and gasoline tax funds.

Contrary to Ohio Rev. Code 5705.36, the Fiscal Officer failed to obtain an increased amended certificate upon determination that an additional amount of revenue will be collected in any fund.

Contrary to Ohio Rev. Code 5705.41 (B), budgetary expenditures exceeded appropriation authority in all funds due to no appropriation measure being approved for the year ended December 31, 2005. At December 31, 2004, budgetary expenditures exceeded appropriation authority in the General Fund and Road and Bridge Fund.

Contrary to Ohio Rev. Code 5705.41 (D), the Township made expenditures prior to certification by the Township Fiscal Officer.

Contrary to Ohio Rev. Code 507.04, the Township Fiscal Officer did not maintain the books of the Township in the correct format.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

**LAKE TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**5. RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has not paid all contributions required through December 31, 2005 (See Finding Number 2005-012). As of the date of the audit report, it can not be determined how much has not been paid for liabilities at December 31, 2005.

Contrary to Ohio Rev. Code 145.51, the Township filed late with OPERS during 2004 and 2005 resulting in late fees and interest.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

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

**7. NEGATIVE CASH FUND BALANCES**

As of December 31, 2005, the General Fund had a negative cash fund balance of \$10,377. It is uncertain how the Township will both eliminate the negative cash fund balances and continue to provide for general operating needs of the Township. Furthermore, the estimated revenues are not expected to be sufficient to offset budgeted expenditures and minimize the negative cash fund balance in the General Fund during 2006.

Management has developed a plan to scrutinize the annual budget and to monitor General Fund expenses on a more regular basis.

**8. SUBSEQUENT EVENT**

Fiscal Officer Sondra Spreng resigned effective October 2, 2006 and was replaced by Steve Shepherd. Steve Shepherd resigned effective February 5, 2007 and was replaced by Lehr Dircks.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Lake Township  
Ashland County  
2499 CR 175  
Loudonville, Ohio 44842

To the Board of Trustees:

We have audited the financial statements of the Lake Township, Ashland County, Ohio, (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated February 15, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. In addition, we noted the General Fund had negative cash balances. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. 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 management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-016 through 2005-021.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. None of the reportable conditions listed above are considered to be material weaknesses.

In a separate letter to the Township's management dated February 15, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-015.

In a separate letter to the Township's management dated February 15, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management, and the Board of Trustees, and is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

February 15, 2007

**LAKE TOWNSHIP  
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding for Recovery Repaid Under Audit**

**FINDING NUMBER 2005-001**

**Ohio Rev. Code Section 505.24**, provides township trustees compensation based on the township's annual budget.

For the period October 1, 2005 through December 31, 2005, each Lake Township Trustee's monthly paycheck was improperly issued for their gross payroll amount rather than the net payroll amount and payroll deductions were still withheld to be submitted to the appropriate agencies. This resulted in overpayments of salary of \$188.34 for each Trustee. In addition, for the period January 1, 2005 through February 28, 2005, each Lake Township Trustee was paid at the 2004 rate rather than the new 2005 rate. This resulted in the underpayments of salary of \$22.66 for each Trustee. Both errors taken together resulted in a net overpayment of salary of \$161.68 each (\$485.04 total) to Trustees Robert Esselburn, John Leininger III, and Michael Bender in 2005.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for illegal expenditures is hereby issued against Township Trustees Robert Esselburn, John Leininger III, and Michael Bender in the amount of one hundred six-one dollars and sixty-eight cents (\$161.68) each; and jointly and severally in the amount of four hundred eighty-five dollars and four cents (\$485.04) against Sondra Spreng, former Township Clerk, and the Ohio Farmers Insurance Company.

The Finding for Recovery noted above is issued in favor of the Township's General Fund and Road and Bridge Fund.

The Finding for Recovery was repaid in full on February 9, 2007 and recorded in the Township's General Fund and Road and Bridge Fund.

**Officials' Response:** The Trustees paid the funds to the Fiscal Officer and deposits were made to the Township financial institution. Copies of data were given to Auditor during Draft Audit discussion.

**Material Noncompliance Citation**

**FINDING NUMBER 2005-002**

**Ohio Rev. Code Section 118.021** provides that a township may undergo a fiscal watch review to determine whether it is approaching a state of fiscal emergency. The review will be initiated by a written request to the Auditor of State from the board of township trustees.

Pursuant to **Ohio Rev. Code Section 118.022(A)(3)**, the following is one of the conditions that are grounds for a **fiscal watch**:

"The aggregate of deficit amounts of all deficit funds at the end of the preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in section 5705.14 of the Revised Code to meet that deficit, exceeded one-twelfth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than transfers from the general fund."

**Material Noncompliance Citation (Continued)**

**FINDING NUMBER 2005-002 (Continued)**

As of December 31, 2005, after audit adjustments, the Township's General Fund had a deficit of \$10,377. The remaining special revenue funds and the trust fund are restricted as to use and would require a court order to transfer funds. (See Ohio Rev. Code Sections 5705.15 and 5705.16.) The total deficit of \$10,377 is greater than one-twelfth of the total of the general fund budget for 2005 which was \$32,869.

Pursuant to **Ohio Rev. Code Section 118.03(A)(5)**, the following is one of the conditions that can serve as grounds for a **fiscal emergency**:

"The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund."

As of December 31, 2005 the Township General Fund had a deficit of \$10,377. The remaining special revenue funds were not available for transfer per Ohio Rev. Code Section 5705.14. The total deficit equals 26.56% of the General Fund receipts for 2005 and 31.57% of General Fund Total Estimated Resources for 2005.

The Township should undergo a fiscal watch review to determine whether it is approaching a state of fiscal emergency.

**Officials' Response:** Agreement between Auditor and Township Fiscal Officer that the auditor will notify local government service.

**Material Noncompliance Citation**

**FINDING NUMBER 2005-003**

**Ohio Rev. Code Section 5705.10** requires that monies paid into any fund be used only for the purposes for which such fund is established.

The Township had negative cash fund balances in the General Fund of \$10,377 and \$7,567 at December 31, 2005 and 2004, respectively.

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of the General Fund. Fund activity should be monitored to prevent future expenditures in excess of available resources. In addition, money should not be used from one fund to pay obligations of another fund.

**Officials' Response:** Agreement with finding.

### Material Noncompliance Citation

#### FINDING NUMBER 2005-004

**Ohio Rev. Code Section 149.351** requires that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by Ohio Rev. Code Sections 149.38 through 149.42.

At a minimum, during 2005, the Township issued 54 checks totaling \$23,694 and during 2004, issued 34 checks totaling \$7,450 for which the Township was unable to locate original invoices or other support documentation for the expenditures, including reimbursements to elected officials. Without original invoices or other support documentation, it can not be determined if these expenditures were for a proper public purpose of the Township.

We recommend the Township develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location. Disposal of records should only be made in accordance with an approved records retention schedule. This will help ensure records are not lost or destroyed.

**Officials' Response:** Records of the Township in the process of change to reflect the Township address 2499 County Rd. 175, Loudonville, Ohio as address of record. Township will work to replace lost invoices or records where possible.

### Material Noncompliance Citation

#### FINDING NUMBER 2005-005

**Ohio Rev. Code Section 505.24** states the Township Trustees shall be paid from the township general fund or from such other township funds in such proportions as the board may specify by resolution. This means the salary resolution must allocate the salary distribution from various funds in the same proportion as the trustees' services bear to the activities supported by such funds, as determined by the board.

For 2005, eleven-twelfths (\$18,863) of the Township Trustees' salaries were paid from the Road and Bridge Fund. There was no resolution in effect which indicated that Trustees' salaries should be paid from any fund other than the General Fund, and no evidence was provided to indicate what portion of the Trustees' time was devoted to activities supported by the Road and Bridge Fund. However, on November 20, 2006, the Board of Trustees passed a resolution retroactive to January 1, 2005, which allowed eleven-twelfths of the Township Trustees' salaries to be paid from the Road and Bridge Fund, based on the estimated level of service provided by the Trustees during the audit period. The percentages indicated in that resolution reflect the percentage of the Township Trustees' salaries allocated during 2005 and is reflected in the accompanying financial statements.

**Officials' Response:** Action taken to bring into compliance and Trustees agree to keep a log of activities.

**Material Noncompliance Citation**

**FINDING NUMBER 2005-006**

**Ohio Rev. Code Section 5705.38** requires that on or about the first day of each fiscal year, an appropriation measure be passed. The Township may pass a temporary appropriation measure to meet their ordinary expenses until April 1, at which time a permanent appropriation measure must be passed.

The Township did not adopt a permanent appropriation measure for the year 2005. As a result, expenditures made during this year were not legally expended. The Township should adopt a permanent appropriation measure by April 1 each year.

**Officials' Response:** Township will comply.

**Material Noncompliance Citation**

**FINDING NUMBER 2005-007**

**Ohio Rev. Code Section Ohio Rev. Code Section 5705.39** requires that total appropriations from each fund not exceed total estimated fund resources from each fund. This section also requires the Township to obtain a County Auditor's certificate showing total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

At December 31, 2004, total appropriations exceeded total estimated resources as follows:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$36,041	\$39,295	\$(3,254)
Special Revenue Gasoline Tax Fund	26,158	51,408	(25,250)

In addition, the Township did not always obtain certificates from the County Auditor showing appropriations from each fund do not exceed the total Amended Official Estimate of Resources for certain appropriation and estimated resource amendments. The Township Board of Trustees should monitor appropriations versus estimated resources to help avoid overspending.

**Officials' Response:** Township will comply.

**Material Noncompliance Citation**

**FINDING NUMBER 2005-008**

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

Township expenditures exceeded appropriations within the following funds at December 31:

<b>2005</b>				
<u>Fund</u>	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>	
General	\$0	\$43,706	\$43,706	
Motor Vehicle	0	5,861	5,861	
Gasoline	0	80,532	80,532	
Road and Bridge	0	41,464	41,464	
Permissive Motor Vehicle	0	1,000	1,000	
Fire	0	5,405	5,405	

<b>2004</b>				
<u>Fund</u>	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>	
General	\$39,295	\$48,942	\$9,647	
Road and Bridge	45,368	79,416	34,048	

The Township should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the fund level to avoid overspending. In addition, the Township Fiscal Officer should periodically review the Township's appropriations reports to ensure appropriation amounts are posted accurately and timely.

**Officials' Response:** Township will comply.

**Material Noncompliance Citation**

**FINDING NUMBER 2005-009**

**Ohio Rev. Code Section 5705.36** allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

As a result of the Township not obtaining an Amended Certificate of Estimated Resources and requesting a supplemental appropriation for the General Fund and Gasoline Tax Fund in 2004, the Township over-expended funds in excess of estimated resources in those funds. Actual expenditures in excess of available resources in the General Fund resulted in a negative ending fund balance. Additionally, the Permissive Motor Vehicle License Fund was not included on the Certificate of Estimated Resources in 2005.

**Material Noncompliance Citation (Continued)**

**FINDING NUMBER 2005-009 (Continued)**

The Township Fiscal Officer should obtain an Official Amended Certificate of Estimated Resources from the Budget Commission upon determining that an additional source of revenue will be collected. If the Township intends to expend these monies, the Board of Trustees should approve a supplemental appropriation measure which should also be filed with the County Auditor.

**Officials' Response:** Township will comply.

**Material Noncompliance Citation**

**FINDING NUMBER 2005-010**

**Ohio Rev. Code Section 5705.41(D)** requires that no subdivision or taxing unit 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 obligation 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. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.



**Material Noncompliance Citation (Continued)**

**FINDING NUMBER 2005-010 (Continued)**

During 2005 and 2004, one hundred percent (100%) of the expenditures tested were not certified by the Township Fiscal Officer prior to incurring the obligation. It was found that none of the three exceptions above were utilized for the items found to be in noncompliance. The Township should certify the availability of funds for expenditures and also implement the use of Then and Now Certificates, Blanket Certificates, and Super Blanket Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

**Officials' Response:** Township financial officer to implement purchase order system.

**Material Noncompliance Citation**

**FINDING NUMBER 2005-011**

**Ohio Rev. Code Section 145.03** states that membership in the Ohio Public Employees Retirement System (OPERS) is mandatory for all public employees including part-time employees and students.

The Zoning Inspector did not have OPERS withholdings deducted from his gross wages during 2005 and 2004. The Township should contact OPERS and inquire as to whether or not the aforementioned Township employee is required to contribute to OPERS. If the employee is found to be exempt from contributing to OPERS, this employee should contribute to social security. The failure of the Township to properly withhold and remit retirement contributions to OPERS or social security may subject the Township to penalties and charges.

This issue will be referred to OPERS for whatever action is deemed necessary.

**Officials' Response:** Township will investigate and bring into compliance.

**Material Noncompliance Citation**

**FINDING NUMBER 2005-012**

**Ohio Rev. Code Section 145.51** requires that each employer described in division (D) of section 145.01 of the Revised Code shall pay into the employers' accumulation fund, in such monthly or less frequent installments as the public employees retirement board requires, an amount certified by the board which equals the employer obligation as described in section 145.12 of the Revised Code. In addition, the board shall add to the employer billing next succeeding the amount, with interest, to be paid by the employer to provide the member with contributing service credit for the service prior to the date of initial contribution to the system for which the member has made additional payments, except payments made pursuant to sections 145.28 and 145.29 of the Revised Code. Ninety days after the end of a quarterly period, any amounts that remain unpaid are subject to a penalty for late payment in the amount of five per cent. In addition, interest on past due amounts and penalties may be charged at a rate set by the retirement board.

The Township paid late fees and interest of \$163.14 and \$89.48 for 2005 and 2004, respectively to the Ohio Public Employees Retirement System as a result of late payments of withholdings and employer contributions for the years 2005 and 2004. Quarterly reports were filed late for seven of eight quarters during the audit period. The Township has not paid all required amounts through December 31, 2005. As of May 15, 2006, the Township had a balance due of \$2,212.49. As of the date of this report, it can not be determined how much remains unpaid for the year ending December 31, 2005 and if there are current unpaid amounts.

**Material Noncompliance Citation (Continued)**

**FINDING NUMBER 2005-012 (Continued)**

All future employee withholdings and employer contributions should be remitted promptly to avoid late fees, penalties and interest.

This issue will be referred to OPERS for whatever action is deemed necessary.

**Officials' Response:** Paid up to date, data furnished at time of draft audit visit.

**Material Noncompliance Citation**

**FINDING NUMBER 2005-013**

**26 U.S.C. §3401 through §3406** require that each Employer's Quarterly Federal Tax Return include employees' withheld Federal income tax, social security tax, Medicare tax, and the employer's share of social security and Medicare tax. If the employer accumulates a liability for these taxes of \$2,500 or more per quarter, the employer must deposit this amount by making payment to an authorized financial institution. Deposits are made either by the Electronic Federal Tax Payment System (EFTPS), or by using a Form 8109, *Federal Tax Deposit Coupon*, which must accompany the payment. If you use the coupon, it is very important that it show the correct employer identification number, name, and type of tax and tax period; as this information is used by the IRS to credit your account. Your check or money order should be made payable to the financial institution where you make your deposit, not to the IRS. In addition, the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

The Township paid late fees and interest of \$11 in 2005 and \$1,461 in 2004 to the Internal Revenue Service as a result of late payments of withholdings and employer contributions up to one year past due. Additionally, the Township has not filed and paid withholdings to the Internal Revenue Service for the third and fourth quarters of 2005 nor for any of 2006. At a minimum the Township owes \$906.84 in federal and medicare tax for 2005 and 2006 not including any penalties and interest. The failure to comply with the tax regulations will result in additional penalties, late fees and interest.

We recommend that employee withholdings and employer contributions be remitted promptly in the future to avoid expenditures for late fees and interest.

This issue will be referred to Internal Revenue Service for whatever action is deemed necessary.

**Officials' Response:** Township in the process of compliance.

**Material Noncompliance Citation**

**FINDING NUMBER 2005-014**

**Ohio Rev. Code Section 5747.06** requires every employer, including the state and its political subdivision making payments of any compensation to an employee who is a taxpayer, to deduct and withhold from such compensation for each payroll period a tax substantially equivalent to the tax reasonably estimated to be due under this chapter with respect to the amount of such compensation included in his adjusted gross income during the calendar year.

During 2005 and 2004, State income tax was not withheld from the compensation of the Zoning Inspector. There was no IT-4 form on file to document if the Zoning Inspector claimed enough exemptions to not have any state income taxes withheld. The Township should withhold and remit state income taxes from all employees unless they have claimed enough exemptions to not be subject to withholding.

Additionally, the Township has not filed quarterly reports nor paid state income tax withholdings to the State Department of Taxation for the third and fourth quarters of 2005 nor for any of 2006 for all elected officials and employees. At a minimum, the Township owes \$368.82 in state income tax for 2005 and 2006 not including any penalties and interest.

Also, the Township did not withhold Loudonville/Perrysville School District income tax from the Zoning Inspector nor from the elected officials for 12 of 24 months audited. There was no evidence that amounts withheld were ever remitted to the State Department of Taxation. There has been no quarterly reports filed since the second quarter of 2004. At a minimum the Township owes \$931.02 in school district income tax for 2004, 2005, and 2006 not including penalties and interest. The failure to comply with the tax regulations will result in additional penalties, late fees and interest.

The Township should timely and correctly withhold and timely and correctly remit state and school district income taxes to the State of Ohio Department of Taxation.

This issue will be referred to the Tax Commissioner for whatever action is deemed necessary.

**Officials' Response:** Township in the process of compliance.

**Material Noncompliance Citation**

**FINDING NUMBER 2005-015**

**Ohio Rev. Code Section 507.04** requires the Township Fiscal Officer shall keep an accurate record of the proceedings of the board of township trustees at all its meetings, and of all its accounts and transactions including the acceptance of the bonds of township officers.

**Ohio Admin. Code Section 117-2-02(A)** provides that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Admin. Code Section 117-2-02(D), accounting records should include:

**Material Noncompliance Citation (Continued)**

**FINDING NUMBER 2005-015 (Continued)**

- Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
- Appropriation ledger, which typically assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.
- Payroll journal, which typically records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as termination payment), and the fund and account charged for the payments.

In 2005 and 2004, the Township's Fiscal Officer did not maintain a cash journal, receipt ledger, appropriation ledger or payroll journal. The Township did not classify receipt and disbursement transactions. The Township was therefore unable to monitor compliance with its appropriation resolution. The Township was also unable to classify receipts by source or disbursements by purpose.

In April, 2005, the Township hired an additional person to assist in the preparation of the accounting records and annual financial report because the Fiscal Officer was unable to prepare any of these records. This resulted in additional expenses to the Township.

We recommend the Township maintain an accounting system and accounting records as required by law. This would include a cash journal, receipt ledger, appropriation ledger and payroll journal. In addition, we recommend the Board of Trustees review the monthly reports and the bank reconciliations of the Township.

**Officials' Response:** Township in the process of compliance.

**Reportable Condition**

**FINDING NUMBER 2005-016**

**Unpaid Obligations**

As of the date of the audit report, the Township has, at a minimum, the following past due obligations and bills:

Vendor	Amount
Ohio Public Employees Retirement System	\$2,212
Auditor of State – Audit Fees	10,736
Auditor of State – UAN Fees	<u>7,014</u>
Total	<u>\$19,962</u>

In addition, payroll withholdings for federal, medicare, and state income taxes have not been paid since the second quarter of 2005 and school district income taxes have not been paid since the second quarter of 2004. These amounts total \$2,206.68, at a minimum, not including penalties and interest.

Failure to pay outstanding bills increases the risk for additional late fees, penalties, and interest to be assessed. The Township Fiscal Officer should promptly remit payments for all of the Township's expenditures. This should eliminate unnecessary expenditure of public funds for the payment of late fees, penalties and interest.

**Officials' Response:** Township in the process of Compliance, Ohio Public Employees Retirement System paid to date. Ohio Department of Job and Family Services paid to date. Audit fees will take additional discussions. Auditor of State – UAN fees will take additional discussion.

**Reportable Condition**

**FINDING NUMBER 2005-017**

**Late Fees and Penalties**

The Township Fiscal Officer did not promptly remit payment for all of the Township's expenditures for operations during 2005 and 2004 with payments being made up to 45 days after the invoice date. These payments resulted in late fees, penalties and interest being assessed and paid by the Township. The amounts of these late fees, penalties and interest that were noted during testing are summarized below:

<u>Source</u>	<u>2005</u>	<u>2004</u>	<u>Total Tested</u>
Local Vendors	\$12	\$10	\$22
Farmers Bank – Debt	0	295	295
Ohio Public Employees Retirement System	163	89	252
Internal Revenue Service	<u>10</u>	<u>1,461</u>	<u>1,471</u>
Total	<u>\$185</u>	<u>\$1,855</u>	<u>\$2,040</u>

**Reportable Condition (Continued)**

**FINDING NUMBER 2005-017 (Continued)**

In addition, as numerous invoices were not provided for audit, numerous bills remained unpaid at year end, and payroll tax filings due but not paid at year end (see finding numbers 2005-004 and 2005-016), an undetermined amount of additional late fees, penalties, and interest may have been paid during the audit period or are currently due and are not reflected above.

The Township Fiscal Officer should promptly remit payments for all of the Township's expenditures. This should eliminate unnecessary expenditure of public funds for the payment of late fees, penalties and interest.

**Officials' Response:** Action being taken to eliminate these fees and penalties.

**Reportable Condition**

**FINDING NUMBER 2005-018**

**Bank Reconciliations**

The following was noted regarding the Township's bank reconciliations for 2005 and 2004:

- The Township Fiscal Officer did not reconcile bank balances to the Township's cash book fund balances on a monthly basis as no cash journal or other required ledgers were maintained during the audit period. The Township hired an additional person after the audit period to prepare the monthly bank reconciliations for 2005 and 2004 because the Fiscal Officer was unable to prepare them.
- Checks properly approved by the Trustees were routinely held for up to two months before being mailed and in some cases the late payments resulted in penalties and interest charges being incurred by the Township. See Finding Number 2005-017.

The following policies and procedures should be implemented immediately by the Township to address the aforementioned matters:

- The monthly bank reconciliations should be prepared timely and the bank reconciliation and outstanding check listing should be reviewed by someone other than the person performing the reconciliation, such as a Township Trustee and approved at the monthly Board Meeting.
- All outstanding items should be included on the bank reconciliation with each item detailed as to issue date, amount and check number.
- The outstanding checklist should reflect only those checks actually outstanding at month end. In addition, stale-dated checks should be moved to an unclaimed monies fund. Voided checks should be posted to the books and processed as adjustments to expenditures rather than being included as revenue.
- Checks should be mailed to vendors as soon as possible after being issued to avoid penalties and interest charges and to reduce the possibility of approved checks being lost or stolen.

**Officials' Response:** Policies and procedures suggested are in the process of being implemented.

**Reportable Condition**

**FINDING NUMBER 2005-019**

**Trustee Monitoring of Financial Reports**

The Township Fiscal Officer did not prepare monthly financial reports for Trustees to review and approve. The Trustees do not formally review or approve any financial information on a monthly basis. However, Township expenditures are approved by the Trustees.

The lack of monthly financial reports does not allow the Trustees to be up to date on the financial activity of the Township and restricts their monitoring abilities over the Township Fiscal Officer and the Township's finances. By not reviewing and approving the bank reconciliations or monthly reports demonstrates a lack of fiscal monitoring by Township Trustees. Unrecognized errors resulting in misstatements of the Township's records could occur and not be detected timely as a result of the lack of monitoring of the monthly financial reports and bank reconciliations.

The Trustees should request monthly financial reports and formally recognize in the minutes the acceptance of those monthly reports received from the Township Fiscal Officer. Reports should include, but not be limited to, the monthly cash reconciliation, budget to actual statements, receipt/expenditure/fund balance reports, etc. These reports should reflect all activity of the Township. These reports will improve the Trustee's awareness of all finance related activity and facilitate their decision making process.

**Officials' Response:** Trustees and Fiscal Officer will comply.

**Reportable Condition**

**FINDING NUMBER 2005-020**

**Non-payroll Disbursements**

During the testing of non-payroll disbursements within the Township, we noted the following:

- The Township does not use the proper coding and accounting for disbursements as prescribed in the Ohio Township Handbook.
- Disbursements were originally not posted to a cash journal or appropriation ledger nor were the proper fund and account codes included on the voucher jackets. The Township hired another person after year end to code and post every transaction for 2005 and 2004 as the Fiscal Officer was unable to prepare the appropriate ledgers.
- Supporting documentation was not always attached (See Finding Number 2005-004). For 16 of 71 transactions selected for detail testing, no original invoice or other support documentation was attached or provided. A scan of the remaining transactions resulted in numerous additional transactions with no original invoices or other support documentation.

**Reportable Condition (Continued)**

**FINDING NUMBER 2005-020 (Continued)**

- A series of 150 checks were not used or accounted for. In addition, 12 other checks were not used or accounted for. This could allow for the unauthorized issuance of checks and not be timely detected by management. All checks should be issued sequentially and any voided checks should be appropriately defaced and maintained.
- During detail testing, 53 of 71 invoices were not marked paid to avoid duplicate payment. All invoices should be marked paid or canceled by some other means at the time of payment to avoid the risk of duplicate payments.
- Some original checks were not maintained and provided during audit. Although the Township was able to obtain copies of the missing checks from their bank, the Township should develop a better means of maintaining all their records in an organized manner.
- The Township did not use purchase orders during 2005 and 2004.

The Township Fiscal Officer should consult the "Ohio Township Handbook" prepared by the Auditor of State to determine the proper coding and accounting of Township disbursements. Further, the Township should establish additional accounts to properly reflect their disbursements. In addition, the Township Fiscal Officer should use the same data, such as fund numbers and dates, throughout all the Township's financial records and ensure original support documentation is always maintained as well as preparing purchase orders for all non-payroll disbursements.

**Officials' Response:** Efforts will be taken to locate lost records by obtaining duplicates where possible. The Township is in the process of compliance on other recommendations.

**Reportable Condition**

**FINDING NUMBER 2005-021**

**Old Bank Account**

The Township opened a new bank account on April 1, 2004 when the new Fiscal Officer took office. The Township was advised by the Auditor of State on April 8, 2004 during fieldwork of the prior audit to keep only enough money in the old bank account to cover outstanding checks, approximately \$1,767, and after six months move any remaining outstanding checks to an unclaimed money fund and close out the old bank account.

At April 30, 2004, the bank balance of this account was \$35,610. The bank balance continued to increase through out 2004 to a balance of \$38,639 as of November 30, 2004. The balance was decreased to \$103 as of December 31, 2004 but increased again though out 2005 to a balance of \$6,438 at December 31, 2005 due to various deposits in this account during 2005 and 2004. This account is still open and active as of the date of this report.

The prior Fiscal Officer did not issue checks sequentially and all checks were not accounted for when she left office. Not closing the old bank account allows for a risk that unauthorized checks could be issued from that account.

We recommend this bank account be closed to avoid any unauthorized access.

**Officials' Response:** Bank accounts will be closed and a new one established and the appropriate State agencies will be notified to change their bank routing detail.



**LAKE TOWNSHIP  
ASHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 and 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	Ohio Rev. Code Section 505.601, a finding for recovery was issued against the former clerk-treasurer for unsupported reimbursements for health insurance premiums.	Fully Corrected	Finding No Longer Valid.
2003-002	Ohio Rev. Code Section 9.39, a finding for recovery was issued against the former clerk-treasurer for undeposited zoning permit fees.	Fully Corrected	Finding No Longer Valid.
2003-003	Ohio Rev. Code Section 118.021, the Township had a deficit fund balance in the General Fund and Gasoline Tax Fund which is grounds for a fiscal watch.	Not Corrected	Repeated similar citation as finding number 2005-002
2003-004	Ohio Rev. Code Section 5705.10, the Township had negative fund cash balances in the General Fund and Gasoline Tax Fund.	Not Corrected	Repeated similar citation as finding number 2005-003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2003-005	Ohio Rev. Code Section 145.51, required contributions were not remitted promptly to OPERS.	Not Corrected	Repeated similar citation as finding number 2005-012
2003-006	26 U.S.C. Section 3403, employee and employer contributions to the IRS were not remitted promptly.	Not Corrected	Repeated similar citation as finding number 2005-013
2003-007	Ohio Rev. Code Section 507.04, Ohio Admin Code Section 117-2-02(A), and Ohio Admin Code 117-7-01, the former clerk-treasurer did not properly maintain the required accounting records.	Not Corrected	Repeated similar citation as finding number 2005-015
2003-008	Ohio Rev. Code Section 5705.41(D), 67% of the expenditures were not certified by the clerk-treasurer prior to incurring the obligation.	Not Corrected	Repeated similar citation as finding number 2005-010
2003-009	Ohio Rev. Code Section 505.24, there was no resolution in place to indicate that the Trustees' should be paid from any fund other than the General Fund.	Not Corrected	Repeated similar citation as finding number 2005-005
2003-010	Ohio Rev. Code Section 5705.41(B), expenditures plus outstanding encumbrances exceeded appropriations at the object level	Not Corrected	Repeated similar citation as finding number 2005-008
2003-011	Ohio Rev. Code Section 5705.36, the Township over-expended funds in excess of estimated resources in the General and Road and Equipment Levy Fund.	Not Corrected	Repeated as finding number 2005-009

Lake Township  
Ashland County  
Schedule of Prior Audit Findings  
Page 3

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-012	Ohio Constitution Article XII, Section 5a, the Township allocated interest to funds other than allowed by law.	Fully Corrected	Finding No Longer Valid.
2003-013	Late Fees and Penalties. The clerk-treasurer did not timely remit payment for all of the Township expenditures which resulted in late fees, penalties, and interest.	Not Corrected	Repeated similar recommendation as finding number 2005-017
2003-014	Bank Reconciliations. Reconciliations were not performed timely nor were they reviewed by anyone.	Not Corrected	Repeated similar recommendation as finding number 2005-018
2003-015	Trustee Monitoring of Financial Reports. The clerk-treasurer did not prepare monthly financial reports for the trustees to review and approve.	Not Corrected	Repeated as finding number 2005-019
2003-016	Non-Payroll Disbursements. Numerous errors noted regarding disbursements	Not Corrected	Repeated similar recommendation as finding number 2005-020





**Mary Taylor, CPA**  
Auditor of State

**LAKE 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  
MARCH 6, 2007**