



**MARGARETTA TOWNSHIP
ERIE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007



Mary Taylor, CPA
Auditor of State

MARGARETTA TOWNSHIP
ERIE COUNTY

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Mary Taylor, CPA

Auditor of State

Margaretta Township
Erie County
114 Main Street, P.O. Box 278
Castalia, Ohio 44824-0278

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 an 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 adverse 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

May 8, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Margaretta Township
Erie County
114 Main Street, P.O. Box 278
Castalia, Ohio 44824-0278

To the Board of Trustees:

We have audited the accompanying financial statements of Margaretta Township, Erie County, (the Township) as of and for the years ended December 31, 2007 and 2006. 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. The Township processes its financial transactions with 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 audit 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 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2007 and 2006, 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, 2007 and 2006, 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 of Margaretta Township, Erie County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, the Township changed the classification of a fund previously classified as an expendable trust fund.

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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2008, 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

May 8, 2008

**MARGARETTA TOWNSHIP
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$258,507	\$811,845		\$1,070,352
Charges for Services		33,831		33,831
License, Permits, and Fees	41,984	26,965		68,949
Intergovernmental	246,507	288,409	\$91,708	626,624
Earnings on Investments	49,152	2,712		51,864
Miscellaneous	4,296	21,896		26,192
Total Cash Receipts	<u>600,446</u>	<u>1,185,658</u>	<u>91,708</u>	<u>1,877,812</u>
Cash Disbursements:				
Current:				
General Government	243,337			243,337
Public Safety	23,855	733,221		757,076
Public Works	42,386	329,750		372,136
Health	6,149	34,624		40,773
Conservation - Recreation		20,851		20,851
Capital Outlay	2,742	70,511	91,708	164,961
Debt Service:				
Redemption of Principal	53,226			53,226
Interest and Other Fiscal Charges	2,196			2,196
Total Cash Disbursements	<u>373,891</u>	<u>1,188,957</u>	<u>91,708</u>	<u>1,654,556</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>226,555</u>	<u>(3,299)</u>		<u>223,256</u>
Other Financing Receipts / (Disbursements):				
Transfers-In		50,670		50,670
Transfers-Out	(50,670)			(50,670)
Total Other Financing Receipts / (Disbursements)	<u>(50,670)</u>	<u>50,670</u>		
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	175,885	47,371		223,256
Fund Cash Balances, January 1	<u>741,244</u>	<u>241,725</u>		<u>982,969</u>
Fund Cash Balances, December 31	<u><u>\$917,129</u></u>	<u><u>\$289,096</u></u>		<u><u>\$1,206,225</u></u>

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

**MARGARETTA TOWNSHIP
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$236,654	\$763,523	\$1,000,177
Charges for Services		49,088	49,088
Licenses, Permits, and Fees	41,873	17,300	59,173
Intergovernmental	227,553	253,902	481,455
Earnings on Investments	37,831	2,353	40,184
Miscellaneous	3,852	23,631	27,483
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	547,763	1,109,797	1,657,560
Cash Disbursements:			
Current:			
General Government	233,986		233,986
Public Safety	32,462	762,496	794,958
Public Works	32,648	273,314	305,962
Health	6,121	24,609	30,730
Conservation - Recreation		20,839	20,839
Other		467	467
Capital Outlay	8,686	18,076	26,762
Debt Service:			
Redemption of Principal	51,824		51,824
Interest and Other Fiscal Charges	3,729		3,729
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	369,456	1,099,801	1,469,257
Total Cash Receipts Over Cash Disbursements	<hr/>	<hr/>	<hr/>
	178,307	9,996	188,303
Other Financing Receipts:			
Sale of Fixed Assets		14,100	14,100
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	178,307	24,096	202,403
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	562,937	217,629	780,566
Fund Cash Balances, December 31	<u>\$741,244</u>	<u>\$241,725</u>	<u>\$982,969</u>

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

**MARGARETTA TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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

B. Accounting Basis

These financial statements follow the accounting basis 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 and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The investment in STAR Ohio is recorded at share values reported by the State Treasurer.

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 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 for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Fund:

Fire District Fund - This fund receives property tax money to support the operation of the fire protection services.

**MARGARETTA TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project fund:

Resurface Phase II Fund - The Township received Issue II grant from the State of Ohio to resurface Homegardner Road within the Township limits.

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.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**MARGARETTA TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. FUND RECLASSIFICATION AND RESTATEMENT OF FUND BALANCES

Changes to fund classifications introduced as part of the changes to the financial reporting model established by GASB Statement No. 34 eliminated expendable trust and nonexpendable trust fund classifications. Beginning in fiscal year 2006, the Township fund previously classified as an expendable trust fund was reclassified as a special revenue fund as the Township deemed this classification more appropriate based on the permitted use of this fund. This change in classification and restatement had the following effect on the fund balances previously reported for the year ended December 31, 2005:

	Special Revenue Funds	Fiduciary Fund
Fund Balance at December 31, 2005	\$215,851	\$1,778
Fund reclassification	\$1,778	(1,778)
Restated fund balance at January 1, 2006	\$217,629	

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006
Demand deposits	\$352,309	\$406,463
STAR Ohio	853,916	576,506
Total deposits and investments	\$1,206,225	\$982,969

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**MARGARETTA TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$466,165	\$600,446	\$134,281
Special Revenue	1,171,470	1,236,328	64,858
Capital Projects	180,353	91,708	(88,645)
Total	<u>\$1,817,988</u>	<u>\$1,928,482</u>	<u>\$110,494</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,211,000	\$424,561	\$786,439
Special Revenue	1,414,775	1,188,957	225,818
Capital Projects	180,353	91,708	88,645
Total	<u>\$2,806,128</u>	<u>\$1,705,226</u>	<u>\$1,100,902</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$332,943	\$547,763	\$214,820
Special Revenue	1,108,621	1,123,897	15,276
Capital Projects	175,100		(175,100)
Total	<u>\$1,616,664</u>	<u>\$1,671,660</u>	<u>\$54,996</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$895,880	\$369,456	\$526,424
Special Revenue	1,236,250	1,099,801	136,449
Capital Projects	175,100		175,100
Total	<u>\$2,307,230</u>	<u>\$1,469,257</u>	<u>\$837,973</u>

**MARGARETTA TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax 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.

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

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

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

6. DEBT

The Township obtained a commercial loan to finance the purchase of a new fire pumper truck on March 19, 2002. The loan was to be paid in annual installments of \$55,554 and was paid off during 2007.

7. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10 percent of their wages. For 2007 and 2006, the Township contributed to OP&F an amount equal to 24 percent of full-time fire fighters' wages. For 2007 and 2006, OPERS members contributed 9.5 and 9 percent, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7percent, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**MARGARETTA TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

8. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Inland Marine;
- Public Officials' liability; and
- Ambulance professional liability.

The Township provides health insurance and dental coverage to full time employees.



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*

Margaretta Township
Erie County
114 Main Street, P.O. Box 278
Castalia, Ohio 44824-0278

To the Board of Trustees:

We have audited the financial statements of Margaretta Township, Erie County, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 8, 2008, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and the Township reclassified a fund previously reported as a expendable trust fund. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-002 and 2007-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiencies described above are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated May 8, 2008.

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 2007-001 and 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 8, 2008.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

Margaretta Township
Erie County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 3

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

May 8, 2008

**MARGARETTA TOWNSHIP
ERIE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Noncompliance Finding

Ohio Revised Code § 5705.10 requires all money derived from a source other than the general property tax, and which the law prescribes shall be used for a particular purpose, is to be paid into a special fund for such purpose.

The Fiscal Officer erroneously posted property tax monies to the Recreation Board Fund and that should have been posted to the Road and Bridge Fund in 2007. The failure to properly post revenues to the appropriate fund could allow the Township to expend those revenues for unallowable purposes.

We recommend the Fiscal Officer make the following adjustment:

Fund	Increase	Decrease
Road and Bridge Fund	\$8,714	
Recreation Board Fund		8,714

The Fiscal Officer posted this correction on April 4, 2008.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township officials should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Township Trustees, to identify and correct errors and omissions. Also, the Fiscal Officer can refer to the UAN accounting manual at the following web site address for guidance on the posting of transactions: http://uanlink.auditor.state.oh.us/pdf/uan_win_software/AccountingManual.pdf

Client Response: The Township plans to monitor the revenue postings closer to avoid errors being made in the posting of receipts. This was a one time error due to the wrong calculations being made after receiving a tax advance.

FINDING NUMBER 2007-002

Noncompliance Citation/Material Weakness

Ohio Revised Code § 5549.21 states the board of township trustees may purchase or lease such machinery and tools as are necessary for use in constructing, reconstructing, maintaining, and repairing roads and culverts within the township, and shall provide suitable places for housing and storing machinery and tools owned by the township. It may purchase such material and employ such labor as is necessary for carrying into effect this section, or it may authorize the purchase or employment of such material and labor by one of its number, or by the township highway superintendent, at a price to be fixed by the board. All payments on account of machinery, tools, material, and labor shall be made from the township road fund. Except as otherwise provided in sections 505.08, 505.101, and 5513.01 of the Revised Code, all purchases of materials, machinery, and tools shall, if the amount involved exceeds twenty-five thousand dollars, be made from the lowest responsible bidder after advertisement, as provided in section 5575.01 of the Revised Code.

**FINDING NUMBER 2007-002
(Continued)**

During the year ending December 31, 2007 the Township purchased a road truck in the amount of \$50,670, without soliciting competitive bids. Originally the Township solicited a quote from a State Purchasing program dealership for the road truck. The Township ultimately decided to purchase a different model than what was previously available through the State Purchasing program from a local dealership. Also, the Trustees paid for the truck purchase from the General Fund rather than the Road and Bridge Fund as required by § 5549.21. An audit adjustment was made to correctly post the truck purchase in the Road and Bridge Fund and not in the General Fund.

The failure to competitively bid purchases and post the payment of the purchases to the correct fund that are required by Ohio Revised Code § 5549.21 could result in the Township not obtaining the best price possible and to materially misstate the financial statements. Also, the Township may be susceptible to potential litigation from vendors that were not given the opportunity to submit bids to the Township. We recommend that the Board follow competitive bidding requirements when required, maintain all documents substantiating the bid process, and post the payments of the items purchased to the correct fund.

Client Response: The Township felt the purchase of this truck was alright since it was under state bid. Because there were some changes made this therefore should have went through competitive bidding. The Township plans in the future to go through competitive bidding when large purchases are made and they are not exactly per the state bid.

FINDING NUMBER 2007-003

Material Weakness

Financial Reporting

We found several errors requiring adjustment to the financial statements. The Fiscal Officer incorrectly recorded \$42,628 and \$104,940 in the General Fund and Special Revenue Funds, respectively, as property and other local taxes instead of intergovernmental receipts in 2007. The Fiscal Officer incorrectly recorded \$24,550 and \$77,136 in the General Fund and Special Revenue Funds, respectively, as property and other local taxes instead of intergovernmental receipts in 2006. Also, the Fiscal Officer incorrectly recorded \$3,619 in the General Fund as intergovernmental receipts instead of property and other local taxes in 2006. The Fiscal Officer incorrectly recorded \$31,100 in the Special Revenue Funds as miscellaneous receipts instead of sale of fixed assets, charges for services, and intergovernmental receipts in 2006.

The Fiscal Officer incorrectly posted debt principal retirement of \$53,226 and interest of \$2,196 to the expense function capital outlay in the General Fund in 2007. The Fiscal Officer also incorrectly posted the debt principal retirement of \$51,824 and interest of \$3,729 to the expense function capital outlay in the General Fund in 2006.

Sound financial reporting is the responsibility of the Fiscal Officer and Township Trustees and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

FINDING NUMBER 2007-003
(Continued)

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Township Trustees, to identify and correct errors and omissions. Also, the Fiscal Officer can refer to the UAN accounting manual at the following web site address for guidance on the posting of transactions: http://uanlink.auditor.state.oh.us/pdf/uan_win_software/AccountingManual.pdf

Client Response: The Township plans to monitor the revenue and expense postings closer to avoid errors being made.

**MARGARETTA TOWNSHIP
ERIE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	ORC 507.09 sets the salary for township fiscal officers. This was not followed for 2004.	Yes	
2005-002	Township Policies - there were several weaknesses over the Township's payroll policies	No	Partially Corrected – We issued a similar comment in our management letter this audit.



Mary Taylor, CPA
Auditor of State

MARGARETTA TOWNSHIP

ERIE 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
JUNE 3, 2008**