

RARDEN TOWNSHIP

SCIOTO COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

BALESTRA, HARR & SCHERER, CPAs, INC.

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www.bhscpas.com



Mary Taylor, CPA

Auditor of State

Board of Trustees
Rarden Township
P.O. Box 51
Rarden, Ohio 45671

We have reviewed the *Independent Auditor's Report* of Rarden Township, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report present the total cash receipts, cash disbursements and cash balances by fund. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes a disclaimer of opinion relating to GAAP presentation and measurement requirements. The *Independent Auditor's Report* also disclaims an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Rarden Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 14, 2008

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**RARDEN TOWNSHIP
SCIOTO COUNTY**

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Independent Auditor's Report

Rarden Township
P.O. Box 51
Rarden, OH 45671

To the Board of Township Trustees:

We were engaged to audit the accompanying financial statements of Rarden Township, Scioto County, (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.

As discussed 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 regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the funds accompanying financial statements presented 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 require 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 the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts are materially misstated under accounting basis the Auditor of State permits

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion & Analysis for the year ended December 31, 2005 and 2004. The Township has not presented Management's Discussion & 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.

The accompanying 2005 and 2004 financial statements presents receipts and disbursements by total only. The Ohio Administrative Code 117-2-02 (A) requires all public offices to maintain an accounting system and accounting records sufficient to enable to public office to identify, assemble, analyze, classify, record, and report all transactions, however, the amounts in the receipts and appropriations ledgers as presented were not in agreement with the Township's cash journal.

Because of inadequacies in the Township's accounting records, we were unable to form an opinion regarding the amounts recorded as cash receipts and cash disbursements in the accompanying Financial Statements.

Since cash receipts and cash disbursements materially affect the determination of Financial Position, Results of Operations, and Cash Flows, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. The 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.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

September 30, 2007

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

	<u>Balance 1/1/2005</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 12/31/2005</u>
General	\$ 2,956	\$ 41,034	\$ 32,795	\$ 11,195
<u>Special Revenue:</u>				
Motor Vehicle License	3,068	13,477	13,794	2,751
Gasoline Tax	11,915	93,538	97,439	8,014
Cemetery	18,066	6,987	7,007	18,046
Fire	4,893	25,396	25,893	4,396
Ambulance	3,158	18,513	16,000	5,671
Total Special Revenue	<u>41,100</u>	<u>157,911</u>	<u>160,133</u>	<u>38,878</u>
Total All Funds	<u><u>\$ 44,056</u></u>	<u><u>\$ 198,945</u></u>	<u><u>\$ 192,928</u></u>	<u><u>\$ 50,073</u></u>

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

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

	<u>Balance 1/1/2004</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 12/31/2004</u>
General	<u>\$ 19,402</u>	<u>\$ 17,507</u>	<u>\$ 33,953</u>	<u>\$ 2,956</u>
<u>Special Revenue:</u>				
Motor Vehicle License	1,819	7,577	6,328	3,068
Gasoline Tax	2,379	62,914	53,378	11,915
Cemetery	5,753	34,313	22,000	18,066
Fire	4,002	13,891	13,000	4,893
Ambulance	<u>2,558</u>	<u>5,487</u>	<u>4,887</u>	<u>3,158</u>
Total Special Revenue	<u>16,511</u>	<u>124,182</u>	<u>99,593</u>	<u>41,100</u>
Total All Funds	<u>\$ 35,913</u>	<u>141,689</u>	<u>133,546</u>	<u>\$ 44,056</u>

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

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Rarden Township, Scioto County, (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Village of Rarden to provide ambulance and fire protection services.

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

B. Basis of Accounting

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

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

D. 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.

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

D. Budgetary Process (Continued)

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 approved 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 2005 and 2004 budgetary activity appears in Note 6.

E. Property, Plant and Equipment

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

F. Cash and Investments

The Township had one primary checking account during our audit period.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$50,073	\$44,056

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

3. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, members of PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all employer contributions required through December 31, 2005.

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Truck	\$14,969	6.00%

The bank loan issued on 11/2/04 was to finance the purchase of a truck to be used for Township road and maintenance. The note is collateralized by the truck.

Amortization of the above debt, including interest payments of \$2,003, is scheduled as follows:

Year ending December 31:	Truck Lease
2006	\$5,646
2007	5,646
2008	3,677
Total	\$14,969

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

6. BUDGETARY ACTIVITY

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

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 18,919	\$ 41,034	\$ 22,115
Special Revenue	144,500	157,911	13,411
Total	<u>\$ 163,419</u>	<u>\$ 198,945</u>	<u>\$ 35,526</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 18,072	\$ (18,072)
Special Revenue	-	117,552	(117,552)
Total	<u>\$ -</u>	<u>\$ 135,624</u>	<u>\$ (135,624)</u>

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 17,100	\$ 14,307	\$ (2,793)
Special Revenue	117,750	124,182	6,432
Total	<u>\$ 134,850</u>	<u>\$ 138,489</u>	<u>\$ 3,639</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 33,953	\$ (33,953)
Special Revenue	-	99,593	(99,593)
Total	<u>\$ -</u>	<u>\$ 133,546</u>	<u>\$ (133,546)</u>

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- General liability and casualty
- Vehicles
- Property, including electronic data equipment, and
- Public officials' liability

8. COMPLIANCE

Ohio Revised Code section 5705.28 requires each taxing unit to adopt a tax budget for the next succeeding fiscal year. However, the Township failed to adopt a tax budget as required.

Ohio Revised Code section 5705.41 (D) requires the Township's fiscal officer to appropriate fund before they have been expended. However, the Township had several invoices that were dated before the funds were appropriated by the fiscal officer.

Ohio Revised Code section 5705.41 (B) requires the Township to appropriate monies prior to the Township expending the monies. However, the Township failed to appropriation monies during the audit period.

Ohio Revised Code section 5705.38 requires the Township to approve an appropriation measure and amended the appropriation during the year. However, the Township did not approve an appropriation measure during the audit period.

Ohio Revised Code section 5705.39 requires the Township's appropriations from each fund not to exceed total estimated revenues. However, the Township failed to file their appropriations with the County auditor.

Ohio Revised Code section 5705.34 requires the Township to pass an ordinance or resolution to authorize the necessary tax levies. However, the Township did not pass a resolution authorizing the necessary tax levies.

Ohio Revised Code section 5705.36 requires the Township to certify to the County Auditor the total amount from all sources which is available for expenditures from each fund on or before the first day of the year. However, the Township did not certify with the County Auditor until after the first of each year.

Ohio Revised Code section 507.04 requires the Township to record all official action in the record of proceedings. However, the Township's record of proceedings failed to include all official action during the audit period.

Ohio Revised Code section 9.38 requires the Township to public money must be deposited on the business day following the day of receipts. However, the Township Clerk was only making monthly deposits.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Rarden Township
Scioto County, Ohio

We were engaged to audit the financial statements of Rarden Township, Scioto County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, wherein we noted the Township follows accounting practices the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and the Township did not present receipts and disbursements in accordance with Ohio Administrative Code 117-2-01 (A) which requires the Township to classify receipts and disbursements transactions which we issued a disclaimer of opinion, and have issued our report thereon dated September 20, 2007. We conducted our engagement to audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

We were engaged to audit the financial statement of the Township and not to provide an opinion on the internal control over financial reporting. As noted in the previous paragraph we were unable to form an opinion on the accompanying financial statements. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be 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 the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-001, 2005-004, 2005-006, and 2005-013.

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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider Findings 2005-001, 2005-006 and 2005-013 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Governmental Auditing Standards* which is described in the accompanying Schedule of Findings as item 2005-002, 2005-003, 2005-005 and 2005-007 through 2005-012.

Rarden Township
Scioto County
Independent Accountants' Report on Compliance and on
Internal Control Required by Governmental Auditing Standards
Page 2

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



Balestra, Harr & Scherer, CPAs, Inc.
September 30, 2007

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

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

Finding Number 2005-001

Material Weakness

We noted several instances in which transactions were not posted to correct line items or not recorded in the Township's financial records. Inaccurate or incomplete posting of transactions impedes the ability of the Trustees to accurately assess the financial status of the Township. Examples of such deficiencies were noted as follows:

- Since we did not consider it practical for the Township to hire additional employees in order to segregate the accounting duties, after the Township Clerk has performed the monthly bank reconciliation, the Trustees should review the validity of the computations and attest their agreement thereto. Also, the Trustees should carefully review and approve pertinent financial information, such as the cash journal, receipts ledger, appropriations ledger, and bank reconciliations on a monthly basis, and make appropriate inquiries to help determine the continued integrity of financial information.
- The Township did not have a payroll system in place. Personnel files were not maintained, timesheets were not completed, nor were hiring authorizations included in the minute record. W-4 forms and IT-4 forms were the only documents on file for employees. In addition, payroll vouchers did not include any detail as to hours worked or rate of pay, making it impossible to recalculate not pay.
- Daily deposits of public funds may not always be possible or practical, however there were numerous instances noted throughout the audit period in which the Township Clerk did not deposit Township funds for several months at a time.

The aforementioned errors were the result of a lack of controls over the financial reporting.

The Township Clerk should attend training on the Uniform Accounting Network and the AoS basis of accounting followed by the Township. The Clerk should follow the Uniform Accounting Network manual when posting all transactions. Further, the Township should adopt policies and procedures including a final review of financial statements by the Fiscal Officer and Council to ensure that errors and omissions are timely identified and corrected.

Client Response:

The Client chooses not to respond.

Finding Number 2005-002

Noncompliance Citation

Ohio Revised Code section 5705.28 provides that on or before July 15 in each year, the taxing authority of each subdivision or other taxing unit is required to adopt a tax budget for the next succeeding fiscal year.

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

**Finding Number 2005-002
(continued)**

The Budget for 2005 was not filed with the Scioto County Auditor on or before the July 15th deadline. There is no evidence in the minute record that these budgets were adopted by the Board of Township Trustees.

The Township Board of Trustees should adopt a tax budget by the required date each year, and indicate such approval in the minute record.

Client Response:

The Client chooses not to respond.

Finding Number 2005-003

Noncompliance Citation

Ohio Revised Code section 5705.41(D) states No orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

The following exceptions to the basic requirement are provided by statute:

1. **Then and Now Certificate:** This exception provides that, if the fiscal officer can certify both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
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 operation 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.

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

**Finding Number 2005-003
(continued)**

All liabilities, contracts, and open purchase commitments were not certified by the Township Clerk prior to the obligation. There was no documentation that a "Then and Now" certificate was used and subsequently approved by the Board of Township Trustees within the aforementioned 30-day time period. The Township utilizes purchase orders and blanket certificates to certify commitments made. These were not signed by the Township Clerk certifying the availability of funds. Therefore, expenditures tested in 2005 and 2004 were not properly certified.

The Township should not allow any orders involving the expenditure of money be made unless the Township Clerk has certified that the amount required has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Where prior certification is not practical, we encourage the Township Clerk to utilize "Then and now" certificates or Blanket certificates.

Client Response:

The Client chooses not to respond.

FINDING NUMBER 2005-004

Reportable Condition

Annual appropriation resolutions are to be approved by the Township Trustees and filed with the County Auditor each year. These appropriations are then entered into the UAN accounting system by the Clerk. This allows the Township to monitor budgeted and actual disbursements throughout the year.

In 2005 and 2004, the permanent appropriations were not approved by the Township Trustees, nor were they filed with the County Auditor. Temporary appropriations were not approved by the Township Trustees, however the amounts entered into the system by the Clerk did not agree to those approved.

Appropriations improperly entered into the system do not permit proper monitoring of budgeted and actual disbursements by the Township Clerk or the Township Trustees. In addition, this resulted in disbursements exceeding appropriations in all funds.

Client Response:

The Client chooses not to respond.

Finding Number 2005-05

Noncompliance Citation

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit shall expend any money unless it has been properly appropriated.

Expenditures in all funds exceeded appropriations in 2005 and 2004. Appropriations for 2005 and 2004 are reported at zero because the Township Clerk could not provide documentation of the appropriations that were approved by the Board of Township Trustees and the Clerk did not certify any appropriations with the County Budget Commission.

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

**Finding Number 2005-05
(Continued)**

Township Clerk should maintain documentation of appropriations approved by the Board of Township Trustees and ensure that they are certified with the County Budget Commission. Furthermore, the Clerk should amend appropriations when deemed necessary.

Finding Number 2005-006

Material Weakness

Rule 117-2-02(A) of the Ohio Administrative Code (OAC), directs all public offices to maintain an accounting system and accounting records sufficient to enable to public office to identify, assemble, analyze, classify, record, and report its transactions, maintain accountability for the related assets, and prepare financial statements required by rule 117-2-03 or the OAC. Rule 117-2-02(C) allows the records to be maintained manually or in a computerized format and requires the following: 1 cash journal with the amount, date, receipt number, check number, account code, and any other information necessary to properly classify the transaction; 2 Receipts ledger to assemble and classify receipts into separate accounts for each type of receipt of each type of receipt of each fund consisting of the amount, date, name of the payor, purpose, receipt number, and any other information necessary to record the transaction on this ledger and; 3 Appropriation ledger to assemble and classify disbursements into separate accounts for each account for 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 necessary to record the transaction on the ledger.

The Cash journal maintained by the Township Clerk contained the name, amount, date, receipt number and check number for most entries. However, not all receipts and disbursements were recorded on the cash journal and some of those recorded were not recorded in the correct fund. The Receipts ledger did not include the estimated receipts information necessary for regulating budgetary transactions. Of those receipts recorded, most contained the name of the payor, amount date, and receipt number. There were several receipts that were not posted to the ledger and several that were not posted to the correct fund. The Appropriation ledger contained the name, amount, fund, date, check number, purchase order number for most of the recorded transactions. There were several transactions not recorded in the ledger or not recorded in the correct fund. The manner in which these ledgers were maintained did not allow the Clerk to accurately reflect the financial transactions of the Township in the December 31, 2005 and 2004 financial statements prepared for the Board of Trustees and filed with the Auditor of State.

The Clerk should review the provision of OAC Rule 117-2-02 and maintain the necessary financial records in the manner prescribed therein.

Client Response:

Will review provisions.

Finding Number 2005-007

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

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

**Finding Number 2005-007
(Continued)**

The Township approved temporary appropriations for 2004 but no temporary appropriations were passed in 2005, however the permanent appropriation were never approved in either year.

The Township should pass the required appropriations resolutions by the required date. If the Township chooses to adopt temporary appropriations at the beginning of each year, they should do so prior to the first expenditure, and the permanent appropriations must be passed and in place by April 1st.

Client Response:

The Client chooses not to respond.

Finding Number 2005-008

Ohio Revised Code Section 5705.39 States that total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Township did not obtain the County Auditor's certificate that the total appropriations from each fund did not exceed the total official estimate or amended official estimate. This certificate was not on file with the County Auditor, because the appropriation resolutions were never filed with the County Auditor.

The Township should file the annual appropriations resolution with the County Auditor, and obtain the County Auditor's certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Client Response:

The Client chooses not to respond.

Finding Number 2005-009

Ohio Revised Code section 5705.34 states that each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the County Auditor before October 1, unless a later date is approved by the Tax Commissioner.

The Township did not pass the resolution to authorize the necessary tax levies in 2004 or 2005.

The Township should file the necessary tax levies to the County Auditor before October 1 each year as required by the Ohio Revised Code.

Client Response:

The Client chooses not to respond.

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

Finding Number 2005-010

Ohio Revised Code section 5705.36 Provides that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

For 2004 and 2005, the Township Clerk certified the total amounts from all sources available to the County Auditor after the first day of the year

The Township should file the required certification to the County Auditor on or about the first day of each fiscal year.

Client Respond:

Will do so.

Finding Number 2005-011

Ohio Revised Code section 507.04 provides that all official actions of the Township and all pertinent information shall be recorded in the Record of Proceedings (minutes).

The Township minutes did not contain approval of bank reconciliations, hiring authorizations of Township employees, approval and listing of permanent appropriation resolutions, acceptance of Resolution Accepting the amounts and rates and determined by the Budget commission and authorizing the necessary tax levies and certifying them to the County auditor or any other budgetary activity.

The Township should officials implement procedures to ensure that all pertinent information is approved and recorded in the minute book of the Township since it is the official record of the Township.

Client Response:

The Client chooses not to respond.

Finding Number 2005-012

Ohio Revised Code section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt.

The Township Clerk generally made deposits once per month during the audit period. As a result, several receipts were included in the total deposit for the month. However the deposit slips did not contain the detailed listing of receipts that were deposited each time. This could result in difficulties during the monthly reconciliation process.

The Township Clerk should make deposits when revenues are received. Additionally, if more than one receipt is included in a deposit, the deposit slip should be completed to show each individual receipt included in the deposit.

Client Response:

Will make deposit timely.

**RARDEN TOWNSHIP
SCIOTO COUNTY**

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

Finding Number 2005-013

Material Weakness

The Township did not provide documentation that supported the transition of employee state and federal withholdings during the audit period. In addition, the Township did not file any tax forms with the State Department of Taxation or Department of the Treasury (federal taxes). Failure to file the required forms with the appropriate taxing agencies resulted in non-compliance with state and federal income tax requirements and has resulted in unnecessary interest and penalties for which the Township is liable.

The Township Clerk should implement procedures to ensure that all required tax deposits are made and the appropriate tax forms are prepared, are accurate and complete, and are submitted in accordance with applicable requirements. Due to the problems noted above, the Township should contact all taxing authorities (federal and state) and obtain documentation to determine what forms have been submitted, what forms remain unsubmitted, whether balances are still owed to these agencies, and to settle these liabilities to ensure accounts are up to date.

Client Response:

The Client chooses not to respond.

**RARDEN TOWNSHIP
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Material Weakness Daily deposits of public funds	No	During test work we noted that the Clerk was only making deposits once per month which resulted in inaccurate bank reconciliations. Reissued as finding number 2005-012.
2003-002	ORC 505.24 elected officials paid from improper funds	Yes	
2003-003	ORC 5705.28 adoption of tax budget by July 15	No	The Township did not file tax budget on time during the audit period. Reissued as finding number 2005-009
2003-004	ORC 5705.41(D) No payment is to be made without first certified.	No	The Township did prepare purchase orders and super blanket certificates however they were not signed by the clerk that certifies the funds. Reissued as finding number 2005-003.
2003-005	Reportable Condition Annual appropriation resolutions	No	The Township annual appropriation were not filed with the county auditor or approved by the board of trustees. Further more no appropriation resolutions were prepared by the Clerk. Reissued as finding number 2005-004
2003-006	ORC 5705.41(B) Disbursements exceeding appropriations	No	The Township did not file or approve an appropriation resolution during the audit period. Causing disbursements to exceed appropriation. Reissued as finding number 2005-05
2003-007	ORC 5705.38 appropriation measure passed on the first day of the year	No	The Township did not approve or certify appropriation during the audit period. Reissued as finding number 2005-007



Mary Taylor, CPA
Auditor of State

RARDEN TOWNSHIP

SCIOTO 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, 2008**