

SPRIGG TOWNSHIP

ADAMS COUNTY

REGULAR AUDIT

JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

YEARS AUDITED UNDER GAGAS: 2007 AND 2006

CAUDILL & ASSOCIATES CPA's

725 5th Street
Portsmouth, Ohio 45662



Mary Taylor, CPA

Auditor of State

Board of Trustees
Sprigg Township
3106 Cabin Creek Road
Manchester, Ohio 45144

We have reviewed the *Independent Auditor's Report* of Sprigg Township, Adams County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2006 through December 31, 2007. 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 are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. 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 an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes 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. Sprigg Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 5, 2008

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**SPRIGG TOWNSHIP
ADAMS COUNTY**

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Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

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Ohio Society of Certified Public Accountants
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Independent Auditor's Report

Board of Trustees
Sprigg Township
Adams County
3106 Cabin Creek Road
Manchester, Ohio 45144

We have audited the accompanying financial statements of Sprigg Township (the Township), Adams County, 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2007 and 2006. 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 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 as of the December 31, 2007 and 2006, 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 years ended December 31, 2007 and 2006. 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 August 29, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Caudill & Associates, CPA's

Caudill & Associates, CPA's

August 29, 2008

**SPRIGG TOWNSHIP
ADAMS 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
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<u>Cash Receipts:</u>			
Property and Other Taxes	\$ 44,256	\$ 69,796	\$ 114,052
Intergovernmental	54,333	126,828	181,161
Interest	1,220	404	1,624
Miscellaneous	105	2,000	2,105
Total Cash Receipts	<u>99,914</u>	<u>199,028</u>	<u>298,942</u>
<u>Disbursements:</u>			
General Government	68,755	94,255	163,010
Public Safety	39,298	11,576	50,874
Public Works	732	131,274	132,006
Total Cash Disbursements	<u>108,785</u>	<u>237,105</u>	<u>345,890</u>
Total Receipts Over (Under) Disbursements	<u>(8,871)</u>	<u>(38,077)</u>	<u>(46,948)</u>
<u>Other Financing Receipts(Disbursements):</u>			
Transfers In	-	20,000	20,000
Transfers Out	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
Total Other Financing Receipts/ (Disbursements)	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts over (under) Cash Disbursements and Other Financing Disbursements	(28,871)	(18,077)	(46,948)
Fund Cash Balance, January 1	<u>33,779</u>	<u>37,595</u>	<u>71,374</u>
Fund Cash Balance, December 31	<u>\$ 4,908</u>	<u>\$ 19,518</u>	<u>\$ 24,426</u>

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

**SPRIGG TOWNSHIP
ADAMS 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
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<u>Cash Receipts:</u>			
Property and Other Taxes	\$ 41,918	\$ 66,929	\$ 108,847
Intergovernmental	64,628	137,007	201,635
Interest	2,397	795	3,192
Miscellaneous	104	-	104
Total Cash Receipts	<u>109,047</u>	<u>204,731</u>	<u>313,778</u>
<u>Disbursements:</u>			
General Government	55,153	89,195	144,348
Public Safety	60,506	-	60,506
Public Works	-	202,882	202,882
Total Cash Disbursements	<u>115,659</u>	<u>292,077</u>	<u>407,736</u>
Total Receipts Over (Under) Disbursements	<u>(6,612)</u>	<u>(87,346)</u>	<u>(93,958)</u>
<u>Other Financing Receipts(Disbursements):</u>			
Transfers In	-	30,000	30,000
Transfers Out	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>
Total Other Financing Receipts/ (Disbursements)	<u>(30,000)</u>	<u>30,000</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts over (under) Cash Disbursements and Other Financing Disbursements	(36,612)	(57,346)	(93,958)
Fund Cash Balance, January 1	<u>70,391</u>	<u>94,941</u>	<u>165,332</u>
Fund Cash Balance, December 31	<u>\$ 33,779</u>	<u>\$ 37,595</u>	<u>\$ 71,374</u>

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

**SPRIGG TOWNSHIP
ADAMS 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 Sprigg Township of Adams County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees governs the Township. The Township provides general government services, including street maintenance 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 basis of accounting. 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Township invests all available funds in an interest – bearing checking account with a local commercial bank.

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 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 money for constructing, maintaining and repairing Township roads.

Road and Bridge Fund – This fund receives proper tax money for constructing, maintaining and repairing Township roads.

**SPRIGG TOWNSHIP
ADAMS COUNTY**

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

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. Unencumbered 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 commitments are made. Encumbrances outstanding at year end are carried-over, and need not be re-appropriated. There were no outstanding encumbrances at December 31, 2007 and 2006.

A summary of 2007 and 2006 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Demand deposits	<u>\$ 24,426</u>	<u>\$ 71,374</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**SPRIGG TOWNSHIP
ADAMS COUNTY**

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

3. 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	\$ 104,094	\$ 99,914	\$ (4,180)
Special Revenue	221,107	219,028	(2,079)
Total	\$ 325,201	\$ 318,942	\$ (6,259)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 148,872	\$ 128,785	\$ 20,087
Special Revenue	247,703	237,105	10,598
Total	\$ 396,575	\$ 365,890	\$ 30,685

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 125,110	\$ 109,047	\$ (16,063)
Special Revenue	221,972	234,731	12,759
Total	\$ 347,082	\$ 343,778	\$ (3,304)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 166,651	\$ 145,659	\$ 20,992
Special Revenue	299,843	292,077	7,766
Total	\$ 466,494	\$ 437,736	\$ 28,758

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopts 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 State pays the Township amounts equaling these deductions. The Township includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Township's behalf.

**SPRIGG TOWNSHIP
ADAMS COUNTY**

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

5. RETIREMENT SYSTEMS

The Township's employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

Contribution rates are prescribed by the Ohio Revised Code. For 2007 and 2006, OPERS members contributed 9.5 and 9 percent of their gross wages, respectively, and the Township contributed an amount equal to 13.85 and 13.7 percent, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

6. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public Official's liability

7. COMPLIANCE

Contrary to Ohio Rev. Code Section 5705.14 the Township transferred \$4,000 in 2007 from the Road and Bridge fund to the Gasoline Tax fund. In 2006 the Township transferred \$2,500 from the Road and Bridge to the Permissive Motor Vehicle Fund. None of these transfers met the allowable exception criteria.

Contrary to Ohio Rev. Code Section 5705.36, appropriations for both the Motor Vehicle License Tax Fund and Gas Tax fund exceeded the amount available for appropriation in 2006. Appropriations exceeded the amount available for the General Fund, Motor Vehicle License Tax fund and Gas Tax Fund in 2007.

Contrary to Ohio Rev. Code Section 5705.39 the Township's appropriations for the General Fund exceeded total estimated revenue for the years ended December 31, 2007.

Contrary to Ohio Rev. Code Section 5705.41 (D), the Township did not properly certify the availability of funds prior to obligation for 100% of purchases tested in 2006 and 2007.

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

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Ohio Society of Certified Public Accountants
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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
Sprigg Township
3106 Cabin Creek Road
Manchester, Ohio 45144

We have audited the financial statements of Sprigg Township (the Township), Adams County, as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 29, 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Township's internal control over financial reporting. Accordingly, we do not express an opinion 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 to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items 2007-001, 2007-005, 2007-006, 2007-007 and 2007-008.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Sprigg Township
Adams County

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*

Our consideration of 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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the following weaknesses described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting as items 2007- 001, 2007-007 and 2007-008.

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 four instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 2007-001, 2007-002, 2007-003 and 2007-004.

We noted a certain noncompliance that we reported to the Township's management in a separate letter dated August 29, 2008.

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

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

Caudill & Associates, CPA's

Caudill & Associates, CPA's

August 29, 2008

**SPRIGG TOWNSHIP
ADAMS COUNTY**

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

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

FINDING NUMBER 2007-001

Noncompliance Citation/ Significant Deficiency/ Material Weakness – Ohio Rev. Code Section 5705.14

Ohio Rev. Code Sections 5705.14 states that no transfer can be made from one fund of a subdivision to any other fund, except as follows:

- The unexpended balance in a bond fund that is no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable.
- The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision. However, if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.
- The unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund. However, if the transfer is impossible by reason of the nonexistence of the fund to receive the transfer, the unexpended balance may be transferred to any other fund of the subdivision with the approval of the court of common pleas of the county in which such division is located.
- The unexpended balance in any special fund, other than an improvement fund, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund.
- Money may be transferred from the general fund to any other fund of the subdivision by resolution of the taxing authority.

In addition to the transfers listed above, which are authorized in Ohio Rev. code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and of the court of Common Pleas, may transfer from one fund to another any public funds under its supervision, except the proceeds or balances of:

- loans,
- special levies for the payment of loans or bonds issues,
- the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and
- the proceeds or balances of any license fees imposed by law for a specified purpose.

The Township transferred \$4,000 in 2007 from the Road and Bridge Fund to the Gasoline Tax Fund. In 2006 the Township transferred \$2,500 from the Road and Bridge Fund to the Permissive Motor Vehicle Fund. None of these transfers met the allowable exception criteria. Adjustments to the financial statements of the Township were required as a result.

We recommend the Township only approve the transfer of funds when exceptions listed in ORC 5705.14, 5705.15 and 5705.16 are met.

**SPRIGG TOWNSHIP
ADAMS COUNTY**

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

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

FINDING NUMBER 2007-001 (Continued)

Township Response:

The Township will monitor transfers more closely to ensure that proper approval is obtained before any transfers are made.

FINDING NUMBER 2007-002

Noncompliance Citation – Ohio Rev. Code Section 5705.36

The Ohio Revised Code Section 5705.36 (A)(2) 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. ORC 5705.36 requires the Township to obtain an increased amended certificate of estimated resources from the budget commission if the legislative authority intends to appropriate and expend excess revenue. The Ohio Revised Code Section 5705.36 (A) (4) requires the Township to obtain a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

Contrary to Ohio Rev. Code Section 5705.36, appropriations for both the Motor Vehicle License Tax Fund and Gas Tax fund exceeded the amount available for appropriation in 2006. Appropriations exceeded the amount available for the General Fund, Motor Vehicle License Tax fund, and Gas Tax Fund in 2007.

This could allow deficit spending to occur.

We recommend the Fiscal Officer obtain a reduced certificate of estimated resources when it is determined that estimated receipts will be less than the actual receipts causing resources to fall below the level of appropriations. Approval of the modifications should be enacted and documented in the Township Minutes.

Township Response:

The Township will monitor budgetary compliance more closely.

FINDING NUMBER 2007-003

Noncompliance Citation – Ohio Rev. Code Section 5705.39

Ohio Rev. Code Section 5705.39 states total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Contrary to this requirement, appropriations for the General fund exceeded total estimated revenue for the year ended December 31, 2007.

**SPRIGG TOWNSHIP
ADAMS COUNTY**

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

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

FINDING NUMBER 2007-003 (Continued)

The Township should monitor the budgetary financial reports throughout the year and amend estimated resources and appropriations, as needed by resolution.

Township Response:

Amendments will be filed with the County Auditor when appropriation increases are required. No money will be expended until a certificate is received certifying the total appropriations from each fund does not exceed the total official estimate or amended official estimate.

FINDING NUMBER 2007-004

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (D) (1)

Ohio Rev. Code Section 5705.41 (D) (1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached 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.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D) (1):

Then and Now Certificate: If the fiscal officer can certify that 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 for the payment of the amount due. The taxing authority has 30 days from the receipt of the “then and now” 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.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

The Township did not properly certify the availability of funds prior to obligation for 100% of purchases tested in both 2006 and 2007

We recommend the Township implement policies to ensure that all purchases first have monies certified by the Fiscal Officer before purchasing or ordering an item. We also recommend the use of a “then and now” certificate in instances of emergency or absence of proper authority.

**SPRIGG TOWNSHIP
ADAMS COUNTY**

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

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

FINDING NUMBER 2007-004 (Continued)

Township Response:

Township officials will monitor the proper certifying of expenditures more closely.

FINDING NUMBER 2007-005

Significant Deficiency - Payroll Procedures

In 2007 and 2006, timesheets were not signed by a supervisor prior to payment. Failure to review and authorize timesheets could lead to errors and discrepancies in hours compensated.

All timesheets including upper management's, should have supervision to ensure the accuracy of hours worked. As well all timesheets should be dated to document the date and amount of work performed for appropriation purposes.

We recommend the Township develop and adopt appropriate procedures to ensure that all time sheets are properly reviewed and authorized.

Township Response:

The Township will develop and adopt appropriate procedures to ensure that all timesheets are properly reviewed and authorized.

FINDING NUMBER 2007-006

Significant Deficiency - Bank Reconciliations

In 2007 and 2006, the approval of the Bank Reconciliations was not documented in the minutes. Also, the Bank Reconciliations were not signed by the board of Trustees as proof of approval.

Unmonitored bank reconciliations could lead to unauthorized or inaccurate transactions occurring and going undetected.

We recommend that the Board of Trustees review of monthly reconciliations be documented in the minutes, and signed by at least one trustee.

Township Response:

The Township will ensure that Bank reconciliation are reviewed monthly, signed and documented in the minutes as proof of approval.

**SPRIGG TOWNSHIP
ADAMS COUNTY**

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

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

FINDING NUMBER 2007-007

Significant Control Deficiency/ Material Weakness - Misclassification of Receipts and Disbursements

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for audits during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the engagement that are considered significant deficiencies and/or material weaknesses.

During 2007 and 2006, the Township erroneously posted receipts, transfers and disbursements. This required reclassifications to properly present the activities of the Township for both years.

We recommend the Township implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Township Response:

Township officials will monitor the allocation of receipts, transfers and disbursements more closely to properly represent the activities of the Township. Township will code receipts in accordance with the Township Handbook published by the Auditor of State.

FINDING NUMBER 2007 – 008

Significant Deficiency/ Material Weakness – System Discrepancies

Estimated receipts and appropriations should be posted to the accounting system so that they reflect Board approved amounts per the Certificate of Estimated Resources and the Appropriation Ordinance.

We noted several discrepancies in 2006 and 2007 between the amounts included on the amended certificates and the amounts enter into the appropriation ledger.

This could result in misstatement in the Township's budgetary statements and lead to inaccurate financial decisions made by the Board and management.

We recommended the Fiscal Officer post appropriations to reflect the appropriations approved by the Board in an accurate and timely manner and the Fiscal Officer ensure all estimated receipts posted to the ledger reflect the amounts on the Certificate of Estimated Resources.

Township Response:

The Township Fiscal Officer post appropriations to reflect the appropriations approved by the Board accurately and timely.

**SPRIGG TOWNSHIP
ADAMS COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

For The Years Ended December 31, 2007 and 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	Revised code 5705.41(D) Prior certificate for expenditures	No	Reissued as finding # 2007-004
2005-002	Revised code 5705.39 Prohibits appropriations in excess of estimated resources	No	Reissued as finding # 2007-003



Mary Taylor, CPA
Auditor of State

SPRIGG TOWNSHIP

ADAMS 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
NOVEMBER 18, 2008**