



**Auditor of State
Betty Montgomery**

GOSHEN TOWNSHIP
CLERMONT COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Goshen Township
Clermont County
6759 Wood Street
P.O. Box 267
Goshen, Ohio 45122

To the Board of Trustees:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2005 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
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This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

January 24, 2005

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

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

	Governmental Fund Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Non- expendable Trust Fund	(Memorandum Only)
Cash Receipts:						
Property and Other Local Taxes	\$232,825	\$2,021,356	\$52,306	\$0	\$0	\$2,306,487
Charges for Services	0	181,880	0	0	0	181,880
Licenses, Permits, and Fees	97,675	115,133	0	0	0	212,808
Fines and Forfeitures	0	11,042	0	0	0	11,042
Intergovernmental	177,153	373,394	0	0	0	550,547
Earnings on Investments	13,192	1,225	0	1,126	16	15,559
Miscellaneous	23,600	51,733	0	0	0	75,333
Total Cash Receipts	544,445	2,755,763	52,306	1,126	16	3,353,656
Cash Disbursements:						
Current:						
General Government	360,705	121,895	0	10,309	337	493,246
Public Safety	35,250	1,612,279	0	0	0	1,647,529
Public Works	257	417,788	0	0	0	418,045
Health	34,559	90,112	0	0	0	124,671
Human Services	0	104,051	0	0	0	104,051
Capital Outlay	29,751	206,567	0	0	0	236,318
Debt Service:						
Redemption of Principal	0	0	50,000	0	0	50,000
Interest and Other Fiscal Charges	0	0	4,070	0	0	4,070
Total Cash Disbursements	460,522	2,552,692	54,070	10,309	337	3,077,930
Total Receipts Over/(Under) Disbursements	83,923	203,071	(1,764)	(9,183)	(321)	275,726
Other Financing Receipts/(Disbursements):						
Transfers-In	0	0	0	75,000	0	75,000
Transfers-Out	(75,000)	0	0	0	0	(75,000)
Advances-In	55,000	55,000	0	0	0	110,000
Advances-Out	(55,000)	(55,000)	0	0	0	(110,000)
Other Financing Sources	0	29,163	0	0	0	29,163
Total Other Financing Receipts/(Disbursements)	(75,000)	29,163	0	75,000	0	29,163
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	8,923	232,234	(1,764)	65,817	(321)	304,889
Fund Cash Balance, January 1	240,982	436,803	1,764	161,101	2,353	843,003
Fund Cash Balance, December 31	\$249,905	\$669,037	\$0	\$226,918	\$2,032	\$1,147,892
Reserve for Encumbrances, December 31	\$0	\$98,042	\$0	\$0	\$0	\$98,042

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

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

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

	Governmental Fund Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Non- expendable Trust Fund	(Memorandum Only)
Cash Receipts:						
Property and Other Local Taxes	\$201,266	\$1,337,100	\$56,105	\$0	\$0	\$1,594,471
Charges for Services	0	47,957	0	0	0	47,957
Licenses, Permits, and Fees	96,043	115,074	0	0	0	211,117
Fines and Forfeitures	0	12,716	0	0	0	12,716
Intergovernmental	179,404	346,084	0	0	0	525,488
Earnings on Investments	15,049	2,214	0	3,953	57	21,273
Miscellaneous	44,197	86,467	0	0	0	130,664
Total Cash Receipts	535,959	1,947,612	56,105	3,953	57	2,543,686
Cash Disbursements:						
Current:						
General Government	347,278	63,096	0	0	0	410,374
Public Safety	63,718	1,555,379	0	0	0	1,619,097
Public Works	35,205	327,193	0	0	0	362,398
Health	904	49,250	0	0	0	50,154
Capital Outlay	25,051	63,194	0	192,852	0	281,097
Debt Service:						
Redemption of Principal	0	0	50,000	0	0	50,000
Interest and Other Fiscal Charges	0	0	4,341	0	0	4,341
Total Cash Disbursements	472,156	2,058,112	54,341	192,852	0	2,777,461
Total Receipts Over/(Under) Disbursements	63,803	(110,500)	1,764	(188,899)	57	(233,775)
Other Financing Receipts/(Disbursements):						
Advances-In	10,000	12,500	0	0	0	22,500
Advances-Out	(12,500)	(10,000)	0	0	0	(22,500)
Other Financing Sources	0	0	0	0	0	0
Other Financing Uses	0	0	0	0	0	0
Total Other Financing Receipts/(Disbursements)	(2,500)	2,500	0	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	61,303	(108,000)	1,764	(188,899)	57	(233,775)
Fund Cash Balance, January 1	179,679	544,803	0	350,000	2,296	1,076,778
Fund Cash Balance, December 31	\$240,982	\$436,803	\$1,764	\$161,101	\$2,353	\$843,003
Reserve for Encumbrances, December 31	\$1,883	\$1,388	\$0	\$0	\$0	\$3,271

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

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Goshen Township, Clermont County, Ohio (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, cemetery maintenance, police services, fire protection and emergency medical services. The Township contracts with Medicount Management Services, Inc. to provide ambulance services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Police District Fund - This fund receives property taxes for providing public safety to the Township.

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Ambulance Fund - This fund receives property taxes for providing emergency services to the Township.

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following Debt Service Fund:

General Note Retirement – The purpose of this fund is to record the payment of the fire truck loan.

4. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following capital project funds:

Capital Projects Fund - The Township transferred money from the General Fund for major capital projects in the Township.

5. Fiduciary Fund (Trust Fund)

This fund is used to account for resources restricted by legally binding trust agreements. The Township had the following fiduciary funds:

Cemetery Bequest Fund - This nonexpendable trust fund earns interest on its investments to be spent on the care and beautification of the cemetery lots.

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 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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	(\$159,892)	(\$197,183)
Certificates of deposit	1,500	1,500
Total deposits	(158,392)	(195,683)
Money Market Fund	1,306,284	411,888
STAR Ohio	0	626,798
Total investments	1,306,284	1,038,686
Total deposits and investments	\$1,147,892	\$843,003

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio and money market mutual funds are not evidenced by securities that exist in physical or book-entry form.

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

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

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$550,748	\$544,445	(\$6,303)
Special Revenue	2,731,561	2,784,926	53,365
Debt Service	65,044	52,306	(12,738)
Capital Projects	76,104	76,126	22
Fiduciary	15	16	1
Total	<u>\$3,423,472</u>	<u>\$3,457,819</u>	<u>\$34,347</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$714,283	\$535,522	\$178,761
Special Revenue	2,813,532	2,650,734	162,798
Debt Service	54,070	54,070	0
Capital Projects	150,000	10,309	139,691
Fiduciary	1,038	337	701
Total	<u>\$3,732,923</u>	<u>\$3,250,972</u>	<u>\$481,951</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$545,710	\$535,959	(\$9,751)
Special Revenue	1,941,674	1,947,612	5,938
Debt Service	56,105	56,105	0
Capital Projects	0	3,953	3,953
Fiduciary	214	57	(157)
Total	<u>\$2,543,703</u>	<u>\$2,543,686</u>	<u>(\$17)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$730,830	\$474,039	\$256,791
Special Revenue	2,324,788	2,059,500	265,288
Debt Service	56,105	54,341	1,764
Capital Projects	200,000	192,852	7,148
Fiduciary	2,349	0	2,349
Total	<u>\$3,314,072</u>	<u>\$2,780,732</u>	<u>\$533,340</u>

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

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

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.

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Fire Truck Acquisition Notes	\$50,000	4.07%

The Fire Truck Acquisition Notes were issued in 2001 to finance the purchase of a new fire truck to be used for Township fire safety services. The bonds are collateralized solely by the Township's taxing authority.

Amortization of the above debt, including interest, is scheduled as follows:

	Fire Truck Acquisition Notes
Year ending December 31: 2004	\$52,035

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

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

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. Part-time members of the police department contributed 9% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for Government employees and an amount equal to 16.70% of participants' gross salaries for full-time Law Enforcement employees.

7. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

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

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

GOSHEN TOWNSHIP
CLERMONT COUNTY

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

7. RISK MANAGEMENT

Financial Position

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

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

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Auditor of State Betty Montgomery

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

Goshen Township
Clermont County
6759 Wood Street
P.O. Box 267
Goshen, OH 45122

To the Board of Trustees:

We have audited the accompanying financial statements of Goshen Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated January 24, 2005 wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2003-001 and 2003-005.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated January 24, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted 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 2003-002 through 2003-005.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we believe the reportable conditions that are described above are not material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated January 24, 2005.

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.

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

Betty Montgomery
Auditor of State

January 24, 2005

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

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

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

FINDING NUMBER 2003-001

Noncompliance Citation – Finding for Recovery Repaid Under Audit – Trustee’s Salary

Ohio Rev. Code, Section, 505.24, sets the compensation for township trustees. Based on this section, Edward Soergel and Lee Lewis should have been paid \$10,944 each as compensation for Township Trustee for fiscal year 2003. Due to a mathematical calculation error, Mr. Soergel & Mr. Lewis were paid a total of \$11,128 each, which resulted in overpayments of \$184 each above the statutory defined amount.

On November 30, 2004, Mr. Soergel and Mr. Lewis repaid \$184 each to the credit of Goshen Township’s general fund.

FINDING NUMBER 2003-002

Reportable Condition – Cash Reconciliations

The Township did not prepare accurate cash reconciliations of the general/investment account during FY 2003. The Township’s attempted reconciliations of the bank balances to the financial records contained posting errors, banking errors, and computer errors. Examples of discrepancies found are:

- The Township did not properly void checks from their accounting system. The Township voided actual checks due to printing errors but did not always void the corresponding check number in the accounting system. Also, the Township would create manual checks and would post the check to the system with a different check number. Therefore, there were many checks where the system check number did not correspond with the actual check number.
- The Township attempted to void checks at the end of the year by posting a fund balance adjustment. Therefore, at the end of the year fund balances were not accurate.
- There were five checks during the course of the year that cleared the bank at a different amount than what was posted to the system. Also, the Township posted electronic payments made to the IRS at different amounts than what cleared the bank.
- The Township did not post a bank charge that was deducted from their account to their accounting system.
- The Township had a few checks during the year that were on the outstanding check list that should not have been. Also, the Township had a few checks that should have been on the outstanding check list that were not included.

**FINDING NUMBER 2003-002
(Continued)**

- The Township wrote a manual check and did not post it in a timely manner to the accounting system. The check cleared the bank before the entry was made to the accounting system causing a variance between the book and bank balance.
- There were several bank reconciliations that were not approved by the Board of Trustees. Also, there were a couple of reconciliations approved by the Board when the reconciliations had adjusting factors that were not supported with proper documentation.

Reconciliations are an effective tool to help management determine the completeness of recorded transactions and verify that all recorded transactions have been deposited with the financial institution. We recommend the Township properly reconcile their accounts on a monthly basis. Any variances should be immediately investigated and justified. We also recommend that the Board review and sign off on the reconciliation thereby indicating approval and promoting timeliness of reconciliations.

FINDING NUMBER 2003-003

Reportable Conditions - Monitoring Controls

An effective monitoring control system has not been implemented to assist management in detecting material misstatements in financial or other information and the consistent monitoring of budgetary financial information. The Township should develop and implement a monitoring system to reduce the risk of not detecting material misstatements.

The lack of such monitoring controls: 1) reduces the Township's ability to determine its financial status at any given time; and 2) may result in obligations being incurred without the available resources.

We noted mispostings of taxes, intergovernmental revenue, charges for services, fees, and other revenues. The financial statements reflect adjustments to properly reflect these receipts. Misclassification or misposting of receipts results in inaccurate financial reporting.

We also noted that the Township never received payment on the final drawdown for their COPS in School grant and it went undetected by the Township. We brought this to management's attention so they could request a final draw from COPS.

Monitoring controls are compromised of regular management and supervisory activities established to oversee whether management's objectives are being achieved. These controls should address operational, legal compliance, and financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action. There was no documentation in the minutes that the Board of Trustees reviews a report for detail receipts and detail disbursements on a regular basis and of budgetary information.

Monitoring controls may be in the nature of ongoing activities or separate periodic evaluation by management. They can relate to a specific transaction cycle or can be more overview in nature. Monitoring controls should assist management in detecting material misstatements in financial or other information and can include:

- Regular review of budget and actual expenditures and receipts. For example, a comparison of budgeted and actual receipts for the COPS fund would have detected that the final draw described above had not been received;

**FINDING NUMBER 2003-003
(Continued)**

- Regular review of financial report summaries of sufficient detail (monthly detailed revenue and expenditure reports);
- Review of key performance indicators;
- Review of revenues/expenditures with independently accumulated information (budgets, past performance, etc.);
- Review of unusual or significant items, long outstanding items, etc.;
- Identification of unusual fluctuations;
- Ensuring an adequate segregation of duties exist;
- Review of monthly reconciliations and;
- Approval of grants.

FINDING NUMBER 2003-004

Reportable Condition - Receipts

We noted the following discrepancies in receipts:

Several intergovernmental and tax receipts were found to have been improperly posted. All material adjustments were posted to the accompanying financial statements.

Ohio Admin. Code, Section 117-7-01, provides a Township chart of accounts detailing receipt and expenditure classifications townships may elect to use. The proper classifications can help demonstrate legal compliance, financial accountability and to provide management with information for decision making.

The Clerk and Trustees should review the chart of accounts and familiarize themselves with the proper account codes for receipts and disbursements. The Board of Trustees should periodically review receipt and appropriation ledgers to check that transactions have been properly recorded. Without accurate financial information, the Board cannot make informed decisions regarding the financial status of the Township. The proper classifications can help demonstrate legal compliance, financial accountability and to provide management with information for decision making.

FINDING NUMBER 2003-005

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

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

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

- B. 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.
- C. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

FINDING NUMBER 2003-005
(Continued)

The Township did not certify the availability of funds prior to purchase commitment for 36% of the expenditures tested and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Clerk certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used. The Clerk should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

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**GOSHEN TOWNSHIP
CLERMONT COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30413-001	Receipt and expenditure classifications	No	Not Corrected – Addressed in 2003 as finding 2003-004.
2001-30413-002	Lack of an effective monitoring control system	No	Not Corrected – Addressed in 2003 as finding 2003-003



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GOSHEN TOWNSHIP

CLERMONT 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
FEBRUARY 10, 2005**