



Mary Taylor, CPA
Auditor of State

GOSHEN TOWNSHIP
CLERMONT COUNTY

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Mary Taylor, CPA
Auditor of State

Goshen Township
Clermont County
6757 Goshen Road
Goshen, Ohio 45122

To the Board of Trustees:

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

Mary Taylor

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March 26, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Goshen Township
Clermont County
6757 Goshen Road
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, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion. As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

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

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Goshen Township, Clermont County, Ohio as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

March 26, 2007

**GOSHEN TOWNSHIP
CLERMONT 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>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Local Taxes	\$280,461	\$2,390,427	\$0	\$2,670,888
Intergovernmental	259,466	318,587	0	578,053
Special Assessments	0	16,990	0	16,990
Charges for Services	0	327,622	0	327,622
Licenses, Permits, and Fees	127,076	136,025	0	263,101
Fines, Forfeitures, and Penalties	0	10,138	0	10,138
Earnings on Investments	34,267	2,795	14,765	51,827
Other Revenue	11,580	34,798	0	46,378
	<u>712,850</u>	<u>3,237,382</u>	<u>14,765</u>	<u>3,964,997</u>
Total Cash Receipts	<u>712,850</u>	<u>3,237,382</u>	<u>14,765</u>	<u>3,964,997</u>
Cash Disbursements:				
Current:				
General Government	419,237	135,722	149,968	704,927
Public Safety	32,691	2,366,078	0	2,398,769
Public Works	1,224	351,966	0	353,190
Health	40,958	54,016	0	94,974
Conservation - Recreation	5,000	0	0	5,000
Debt Service:				
Redemption of Principal	75,000	0	0	75,000
Interest and Fiscal Charges	126,405	0	0	126,405
Capital Outlay	8,598	93,734	2,097,178	2,199,510
	<u>709,113</u>	<u>3,001,516</u>	<u>2,247,146</u>	<u>5,957,775</u>
Total Cash Disbursements	<u>709,113</u>	<u>3,001,516</u>	<u>2,247,146</u>	<u>5,957,775</u>
Total Receipts Over/(Under) Disbursements	<u>3,737</u>	<u>235,866</u>	<u>(2,232,381)</u>	<u>(1,992,778)</u>
Other Financing Receipts and (Disbursements):				
Advances-In	88,970	90,811	0	179,781
Advances-Out	(90,811)	(88,970)	0	(179,781)
Other Sources	1,033	3,171	33,328	37,532
	<u>(808)</u>	<u>5,012</u>	<u>33,328</u>	<u>37,532</u>
Total Other Financing Receipts/(Disbursements)	<u>(808)</u>	<u>5,012</u>	<u>33,328</u>	<u>37,532</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	2,929	240,878	(2,199,053)	(1,955,246)
Fund Cash Balances, January 1	<u>451,407</u>	<u>829,524</u>	<u>2,333,830</u>	<u>3,614,761</u>
Fund Cash Balances, December 31	<u>\$454,336</u>	<u>\$1,070,402</u>	<u>\$134,777</u>	<u>\$1,659,515</u>
Reserve for Encumbrances, December 31	<u>\$3,211</u>	<u>\$88,480</u>	<u>\$13,878</u>	<u>\$105,569</u>

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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Local Taxes	\$230,292	\$2,096,083	\$52,034	\$0	\$2,378,409
Intergovernmental	380,446	346,196	0	0	726,642
Special Assessments	0	15,595	0	0	15,595
Charges for Services	0	350,220	0	0	350,220
Licenses, Permits, and Fees	109,015	88,905	0	0	197,920
Fines, Forfeitures, and Penalties	0	18,103	0	0	18,103
Earnings on Investments	13,465	421	0	16,609	30,495
Other Revenue	13,733	28,638	0	0	42,371
	<u>746,951</u>	<u>2,944,161</u>	<u>52,034</u>	<u>16,609</u>	<u>3,759,755</u>
Cash Disbursements:					
Current:					
General Government	400,811	107,207	0	681,161	1,189,179
Public Safety	21,995	2,116,723	0	0	2,138,718
Public Works	18,636	411,973	0	0	430,609
Health	18,675	71,157	0	0	89,832
Conservation - Recreation	1,668	0	0	0	1,668
Debt Service:					
Redemption of Principal	0	0	50,000	0	50,000
Interest and Fiscal Charges	65,309	0	10,462	0	75,771
Capital Outlay	501	96,803	0	14,999	112,303
	<u>527,595</u>	<u>2,803,863</u>	<u>60,462</u>	<u>696,160</u>	<u>4,088,080</u>
Total Receipts Over/(Under) Disbursements	<u>219,356</u>	<u>140,298</u>	<u>(8,428)</u>	<u>(679,551)</u>	<u>(328,325)</u>
Other Financing Receipts and (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Bonds	0	0	0	2,786,463	2,786,463
Other Proceeds from Sale of Public Debt	0	0	8,427	0	8,427
Transfers-In	0	19,000	0	0	19,000
Advances-In	24,517	21,000	1,018	0	46,535
Transfers-Out	(19,000)	0	0	0	(19,000)
Advances-Out	(22,018)	(23,500)	(1,017)	0	(46,535)
Other Sources	0	1,657	0	0	1,657
Other Uses	(1,353)	0	0	0	(1,353)
	<u>(17,854)</u>	<u>18,157</u>	<u>8,428</u>	<u>2,786,463</u>	<u>2,795,194</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	201,502	158,455	0	2,106,912	2,466,869
Fund Cash Balances, January 1	249,905	671,069	0	226,918	1,147,893
Fund Cash Balances, December 31	<u><u>\$451,407</u></u>	<u><u>\$829,524</u></u>	<u><u>\$0</u></u>	<u><u>\$2,333,830</u></u>	<u><u>\$3,614,761</u></u>

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

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Goshen Township, Clermont County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash Deposits

The Township's funds are deposited in checking accounts, a savings account and certificates of deposit. The Township values certificates of deposit at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash deposits 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:

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

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Safety Service Fund – This fund receives property taxes for providing safety services to the Township.

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Funds:

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

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Capital Project Fund – The purpose of this fund is to provide account for the financial activity related to capital projects in the Township including the proceeds and construction costs related to the Township Administration Building bonds.

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

3. Encumbrances

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

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. RESTATEMENT OF FUND BALANCE

The fund balance of the Special Revenue and Non-Expendable Trust Funds were restated from amounts previously reported because the Township had a Cemetery Bequest Fund that did not have a trust agreement. Without a trust agreement the Cemetery Bequest fund should be classified as a Special Revenue fund. The restatement resulted in changes to balances reported at January 1, 2004 as follows:

	<u>Special Revenue Fund</u>	<u>Non-Expendable Trust Fund</u>
Fund Balance December 31, 2003 (as reported)	\$669,037	\$ 2,032
Cemetery Bequest Fund type reclassified	<u>2,032</u>	<u>(2,032)</u>
Fund Balance January 1, 2004 (as restated)	<u>\$671,069</u>	<u>\$ 0</u>

3. EQUITY IN POOLED CASH DEPOSITS

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

	<u>2005</u>	<u>2004</u>
Demand deposits	<u>\$1,658,015</u>	<u>\$3,613,261</u>
Certificates of deposit	<u>1,500</u>	<u>1,500</u>
Total deposits	<u><u>1,659,515</u></u>	<u><u>3,614,761</u></u>

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

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

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

4. 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	\$699,023	\$713,883	\$14,860
Special Revenue	3,232,286	3,240,553	8,267
Capital Projects	46,350	48,093	1,743
Total	\$3,977,659	\$4,002,529	\$24,870

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$941,791	\$712,324	\$229,467
Special Revenue	3,597,875	3,089,996	507,879
Capital Projects	2,268,002	2,261,024	6,978
Total	\$6,807,668	\$6,063,344	\$744,324

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$753,688	\$746,951	(\$6,737)
Special Revenue	2,879,180	2,964,818	85,638
Debt Service	52,035	60,461	8,426
Capital Projects	2,809,375	2,816,609	7,234
Total	\$6,494,278	\$6,588,839	\$94,561

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$872,233	\$547,948	\$324,285
Special Revenue	3,424,851	2,803,863	620,988
Debt Service	60,462	60,462	0
Capital Projects	218,491	709,697	(491,206)
Total	\$4,576,037	\$4,121,970	\$454,067

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

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

4. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, appropriations exceeded estimates resources in the Motor Vehicle License Tax Fund, Cemetery Fund, and Permissive Motor Vehicle License Fund by \$4,037, \$12,333, and \$22,013 respectively for the year ended December 31, 2004.

Contrary to Ohio law, appropriations exceeded estimates resources in the Drug Law Enforcement Fund, Federal Law Enforcement Fund, Enforcement and Education Fund, and Lighting District Fund by \$7,103, \$17,315, \$2,530, and \$3,386 respectively for the year ended December 31, 2005.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire District Fund by \$58,468 and in the Miscellaneous Capital Projects Fund by \$491,206 for the year ended December 31, 2004.

5. PROPERTY TAX

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

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

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

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

6. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Balance 1/1/2005	Payments	Balance 12/31/2005	Interest Rate
Administration Building	\$2,800,000	\$75,000	\$2,725,000	4.790%

The Township Administration Building Bonds were issued in 2004 to finance the building of a new government office/police station. These bonds are general obligations of the Township.

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

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

6. DEBT (Continued)

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

Year ending December 31:	<u>Admin Bldg</u>
2006	\$199,905
2007	198,030
2008	195,780
2009	193,343
2010	190,530
2011-2015	970,525
2016-2020	951,820
2021-2025	963,456
2026-2029	<u>772,750</u>
Total	<u><u>\$4,636,139</u></u>

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, members of OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

8. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

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

8. RISK MANAGEMENT (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year.

Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

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

8. RISK MANAGEMENT (Continued)

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$177,552. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Township Contributions to OTARMA</u>	
2003	\$ 62,960
2004	\$ 66,212
2005	\$ 88,776

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.



Mary Taylor, CPA

Auditor of State

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

Goshen Township
Clermont County
P.O. Box 267
6757 Goshen Road
Goshen, Ohio 45122

To the Board of Trustees:

We have audited the financial statements of Goshen Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated March 26, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with managements' assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as item 2005-001 and 2005-006.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We considered reportable condition 2005-001 listed above to be a material weakness. In a separate letter to the Township's management dated March 26, 2007, we reported other matters involving internal control over financial reporting that we did not deem as reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-006. In a separate letter to the Township's management dated March 26, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

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

Mary Taylor, CPA
Auditor of State

March 26, 2007

**GOSHEN TOWNSHIP
CLERMONT 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 Noncompliance/Material Weakness

Ohio Rev. Code, Section 507.07, requires the Township Clerk to maintain the books of the Township and exhibit accurate statements of all monies received and expended.

In addition, **Ohio Admin. Code, Section 117-2-02(A)**, requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The following items were noted from review of the Township's financial records and bank:

- The Township did not properly void checks from their accounting system throughout the period under audit. 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 an incorrect check number. Therefore, there were many checks where the system check number did not correspond with the actual check number.
- The Township voided thirty-one checks totaling \$9,688 in 2005 and twenty-two checks totaling \$5,132 in 2004 by posting a fund balance adjustment to the accounting system. Therefore, at the end of the fiscal year fund balances were not accurate.
- During the course of the audit period there were five instances of checks that cleared the bank at an amount different than what was posted to the accounting system. Also, there were three occurrences where the Township posted electronic payments made to the IRS at different amounts than what actually cleared the bank.
- The Township did not post two amounts of interest totaling \$1,742 in 2005 to their accounting system.
- The Township's outstanding check list was not accurate for the twenty-four months under audit. The Township had checks that were on the outstanding check list however upon our review we determined they were not outstanding for that time period. Also, the Township had checks that should have been on the outstanding check list that were not included on the list.
- The Township wrote two manual checks totaling \$766 that were not posted to the accounting system when they were written. The check cleared the bank before the entry was made to the accounting system causing a variance between the book and bank balance.

**FINDING NUMBER 2005-001
(Continued)**

- Bank reconciliations were not accurate or complete for the twenty-four months under audit. The monthly bank reconciliations prepared by the Clerk were approved by the Board however the reconciliations contained adjusting factors that were not supported with proper documentation.

The Township had the following posting errors which resulted in audit adjustments and reclassifications to the financial statements:

- In 2005 the Township posted state and federal grant revenue to the wrong receipt code which resulted on the financial statements this revenue to be reported as charges for services instead of intergovernmental.
- The Township posted homestead and rollback revenue to taxes instead of intergovernmental in 2005 and 2004. In 2004 the Township posted all the homestead and rollback receipts to the General Fund versus the proper allocation among funds receiving real estate taxes. In 2005, the Township posted a portion of homestead and rollback to the wrong fund.
- The Township posted SB 3 / SB 287 revenue to taxes instead of intergovernmental in 2005 and 2004.
- The Township posted personal property exemption to taxes instead of intergovernmental in 2005.
- The Township posted a permissive tax receipt to the wrong fund in 2004.
- The Township posted a motor vehicle license tax receipt to the wrong fund and line item in 2004.
- The Township posted cable franchise fees to the wrong line item in 2004 and 2005.

As a result of these errors, receipts for certain line items and funds were incorrectly reported on the Annual Report. Reclassifications and adjustments were made to individual line items and funds on the financial statements. We recommend due care be exercised when posting entries to the cash journal to prevent errors and assist in properly reflecting the Township's financial activity in the annual report. The Clerk should also refer to the UAN chart of accounts to assist in the proper posting of the Township's receipts and disbursements.

Failure to accurately prepare and reconcile the accounting records reduces the accountability over Township funds and reduces the Trustee's ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected, and increases the likelihood that the Township's financial statements will be misstated. Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well, as ensure that all recorded transactions have been deposited with the financial institution.

**FINDING NUMBER 2005-001
(Continued)**

We recommend that the Clerk perform a detailed reconciliation between the bank balance and the UAN system general ledger balance monthly. The reconciled account balance (bank balance, less outstanding checks, plus deposits in transit) plus any investment balance should equal the total fund balance. Any variances should be immediately investigated and an explanation provided for any adjustments needed to be made each month to the UAN system. In addition, the Clerk should review checks which are outstanding for six or more months to determine the reason they have not been cashed and establish procedures to pay those stale dated checks into an unclaimed money fund. We further recommend that a member of the Board or all Board members review and sign off on the reconciliations thereby indicating approval and monitoring the timeliness of these bank reconciliations.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-002

Material Noncompliance Citation/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.

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

Amounts of less than \$3,000 (\$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.

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. (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.

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

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During the testing of the Township’s disbursements we found that thirty-three percent (33%) of the transactions tested in FY 2004 and fifty-three (53%) of the transactions tested in FY 2005 did not have certification prior to the obligation date and none of the exceptions provided above were utilized.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also 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 that the Clerk certify that 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.

We recommend the Township officials and employees obtain the Clerk’s certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. 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 orders to the proper appropriation code to reduce the available appropriation.

Officials’ Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-003

Material Noncompliance Citation/Reportable Condition

Ohio Revised Code, Section 5705.39,* states in part, that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure. At December 31, 2005, the following funds had appropriations in excess of the amount certified as available by the budget commission:

Fund	Estimated Resources	Appropriations	Appropriations in Excess of Estimated Resources
Drug Law Enforcement [2221]	\$9,794	\$16,897	\$7,103
Federal Law Enforcement Trust Fund [2251]	0	17,315	17,315
Enforcement Education [2271]	14,126	16,656	2,530
Lighting District [2401]	20,590	23,976	3,386

At December 31, 2004, the following funds had appropriations in excess of the amount certified as available by the budget commission:

**FINDING NUMBER 2005-003
 (Continued)**

Fund	Estimated Resources	Appropriations	Appropriations in Excess of Estimated Resources
Motor Vehicle License Tax [2011]	\$13,078	\$17,115	\$4,037
Cemetery [2041]	92,517	104,850	12,333
Permissive Motor Vehicle [2231]	106,250	128,263	22,013
Road and Bridge [2031]	255,111	255,621	510
Police [2081]	625,970	634,057	8,087
Zoning [2181]	66,499	68,276	1,777
Lighting District [2401]	16,244	16,788	544

We recommend that the Township only appropriate for amounts equal to or less than estimated revenues. We further recommend that all supplemental appropriations be compared to estimated revenue prior to approval.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-004

Material Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.41(B), provides that no subdivision or taxing unit is to expend money unless it has been properly appropriated. At December 31, 2004, the following funds had total expenditures and contract commitments (including outstanding encumbrances) exceed appropriations:

Fund	Appropriations	Expenditures Plus Encumbrances	Actual Expenditures in Excess of Appropriations
Fire District [2011]	\$409,402	\$467,870	\$58,468
Miscellaneous Capital Projects [4901]	218,491	709,697	491,206

Expending money when it has not been appropriated could cause the Township to make illegal expenditures. The Township should adopt procedures to ensure that no expenditures are made unless they have been properly appropriated.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-005

Material Noncompliance Citation/Reportable Condition

26 U.S.C., Section 3401(a), states for purposes of this chapter, the term “wages” means all remuneration (other than fees paid to a public official) for services performed by an employee for his employer, including the cash value of all remuneration (including benefits) paid in any medium other than cash.

26 U.S.C., Section 3402(a)(1), states except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary. Any tables or procedures prescribed under this paragraph shall—

- (A) apply with respect to the amount of wages paid during such periods as the Secretary may prescribe, and
- (B) be in such form, and provide for such amounts to be deducted and withheld, as the Secretary determines to be most appropriate to carry out the purposes of this chapter and to reflect the provisions of chapter 1 applicable to such periods.

Per the Township’s policy, employees who retire from active service with twenty years service are paid 100% of unused sick leave to a maximum of sixty days. In 2004, the Township had an employee retire and he was paid by the Township for unused sick leave. However, when the Township made the severance payment to the retired employee they did not withhold any taxes contrary to the requirements above resulting in an underpayment of taxes and in taxable income reported on the employee’s W-2. The

Township should exercise due care in the processing of payroll actions to ensure that all forms of compensation are accurately reported and recorded.

Officials’ Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2005-006

Material Noncompliance Citation/Reportable Condition

Ohio Admin. Code, Section 117-2-02(D), provides that all public offices should maintain accounting records or provide a report similar to the following:

Payroll records should include:

- W-2’s, W-4’s and other withholding records and authorizations.
- Payroll journal that records, assembles and classifies by pay period the name of the employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments.
- Check register that includes, in numerical sequence, the check number, payee, net amount, and the date.
- Information regarding nonmonetary benefits such as car usage and life insurance.

**FINDING NUMBER 2005-006
(Continued)**

- Information, by employee, regarding leave balances and usage.

During review of the Township's employee personnel files we determined that the Township was missing several forms including W-4's (28%), state and local income tax withholding authorizations (60%), retirement system participation forms (64%), and other deduction authorizations (12%). Failure to maintain employees' payroll information could result in incorrect deductions and/or compensation. We recommend that the Township obtain and maintain all necessary payroll records for their employees.

Officials' Response

We did not receive a response from Officials to this finding.

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**GOSHEN TOWNSHIP
CLERMONT COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	ORC Section 505.24, finding for recovery for compensation of township trustees	Yes	Amounts repaid by trustees
2003-002	Reportable condition, cash reconciliations	No	Not corrected, issued as Finding 2005-001.
2003-003	Reportable condition, monitoring controls	No	Not corrected, issued as Finding 2005-001.
2003-004	Reportable condition, receipts and OAC Section 117-7-01, chart of accounts detailing receipt and expenditure classifications	No	Not corrected, issued as Finding 2005-001.
2003-005	ORC Section 5705.41(D)1, failure to properly encumber	No	Not corrected, issued as Finding 2005-002.



Mary Taylor, CPA
Auditor of State

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
MAY 10, 2007**