



Dave Yost • Auditor of State

GOSHEN TOWNSHIP
CLERMONT COUNTY

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Dave Yost • 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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

April 30, 2012

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Dave Yost • 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, 2010 and 2009. 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(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 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, 2010, 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, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

During 2009, the Township changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits.

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 April 30, 2012, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

April 30, 2012

**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, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$324,476	\$2,296,300	\$0	\$2,620,776
Charges for Services	0	415,786		415,786
Licenses, Permits, and Fees	178,956	93,657		272,613
Fines and Forfeitures	0	24,826		24,826
Intergovernmental	523,260	777,880		1,301,140
Earnings on Investments	2,279	230		2,509
Miscellaneous	6,769	66,047		72,816
	<u>1,035,740</u>	<u>3,674,726</u>	<u>0</u>	<u>4,710,466</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	447,839	226,446		674,285
Public Safety	0	3,070,225		3,070,225
Public Works	0	422,113		422,113
Health	53,000	34,083		87,083
Conservation - Recreation	3,550	0		3,550
Capital Outlay	12,320	217,423		229,743
Debt Service:				
Redemption of Principal	19,747	55,253		75,000
Interest and Other Fiscal Charges	115,530	0		115,530
	<u>651,986</u>	<u>4,025,543</u>	<u>0</u>	<u>4,677,529</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>383,754</u>	<u>(350,817)</u>	<u>0</u>	<u>32,937</u>
Other Financing Receipts / (Disbursements):				
Transfers-In	0	500,628		500,628
Transfers-Out	(500,628)	0		(500,628)
Advances-In	553,661	553,661		1,107,322
Advances-Out	(553,661)	(553,661)		(1,107,322)
Other Financing Sources	486	0		486
Other Financing Uses	(9,159)	0		(9,159)
	<u>(509,301)</u>	<u>500,628</u>	<u>0</u>	<u>(8,673)</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(125,547)	149,811	0	24,264
Fund Cash Balances, January 1	<u>893,448</u>	<u>722,254</u>	<u>88,308</u>	<u>1,704,010</u>
Fund Cash Balances, December 31	<u>\$767,901</u>	<u>\$872,065</u>	<u>\$88,308</u>	<u>\$1,728,274</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, 2009**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$324,985	\$2,293,941	\$0	\$2,618,926
Charges for Services	0	337,467		337,467
Licenses, Permits, and Fees	144,577	102,653		247,230
Fines and Forfeitures	0	13,825		13,825
Intergovernmental	515,628	696,571		1,212,199
Earnings on Investments	5,355	223		5,578
Miscellaneous	7,312	28,976		36,288
	<u>997,857</u>	<u>3,473,656</u>	<u>0</u>	<u>4,471,513</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	461,835	266,469	950	729,254
Public Safety	0	2,713,571		2,713,571
Public Works	0	399,556		399,556
Health	51,383	44,902		96,285
Conservation - Recreation	5,000	0		5,000
Capital Outlay	12,000	163,463		175,463
Debt Service:				
Redemption of Principal	37,500	37,500		75,000
Interest and Other Fiscal Charges	59,171	59,171		118,342
	<u>626,889</u>	<u>3,684,632</u>	<u>950</u>	<u>4,312,471</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>370,968</u>	<u>(210,976)</u>	<u>(950)</u>	<u>159,042</u>
Other Financing Receipts / (Disbursements):				
Transfers-In	0	201,460		201,460
Transfers-Out	(201,461)	0		(201,461)
Advances-In	386,979	386,979		773,958
Advances-Out	(386,979)	(386,979)		(773,958)
Other Financing Sources	577	22,164		22,741
Other Financing Uses	(9,004)	0		(9,004)
	<u>(209,888)</u>	<u>223,624</u>	<u>0</u>	<u>13,736</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	161,080	12,648	(950)	172,778
Fund Cash Balances, January 1	<u>732,368</u>	<u>709,606</u>	<u>89,258</u>	<u>1,531,232</u>
Fund Cash Balances, December 31	<u>\$893,448</u>	<u>\$722,254</u>	<u>\$88,308</u>	<u>\$1,704,010</u>
Reserve for Encumbrances, December 31	<u>\$11,222</u>	<u>\$0</u>	<u>\$0</u>	<u>\$11,222</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, 2010 AND 2009**

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 the 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 participates in the Ohio Plan Risk Management, Inc public entity risk pool, an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 761 and 725 members as of December 31, 2010 and 2009 respectively. Note 8 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

During 2008 and 2007, the Township followed the cash basis of accounting. However, its financial statement presentation format and disclosures conformed with generally accepted accounting principles applicable to the cash accounting basis.

During 2010 and 2009, the Township continued to use the cash accounting basis, but revised its financial statement presentation format to follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

For 2010 and 2009, the fund financial statements now present a column for each fund type rather than presenting each major fund in a separate column with nonmajor funds aggregated and presented in a single column. Also, the Township does not present for 2010 and 2009 the statement of net assets and the statement of activities.

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

C. Deposits

The Township values its certificates of deposit at cost.

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.

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

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

Ambulance Fund - This fund receives property tax money used for police protection.

Special Levy – This fund receives taxes for the purpose of providing and maintaining fire apparatus, appliances, buildings, or sites, or sources of water supply and materials, establishment and maintenance of lines of fire alarm telegraph, or the payment of permanent, part-time, or volunteer firefighters or firefighting companies, ambulance equipment, etc.

Police District Fund - This fund receives property tax money used for police protection.

Fire District Fund – This fund receives property tax money used for fire protection.

3. Capital Project Funds

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

Miscellaneous Capital Projects – Pay remaining amounts on the Administrative Building.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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.

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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.

A summary of 2010 and 2009 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. Equity in Pooled Deposits and Investments

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

	2010	2009
Demand deposits	\$1,726,774	\$1,702,510
Certificates of deposit	1,500	1,500
Total deposits	1,728,274	1,704,010

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,039,962	\$1,036,226	(\$3,736)
Special Revenue	3,980,444	4,175,356	194,912
Capital Projects	41,314	0	(41,314)
Total	\$5,061,720	\$5,211,582	\$149,862

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Conitnued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,031,529	\$1,161,773	(\$130,244)
Special Revenue	4,463,733	4,025,553	438,180
Capital Projects	70,000	0	70,000
Total	\$5,565,262	\$5,187,326	\$377,936

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$994,756	\$998,434	\$3,678
Special Revenue	3,645,592	3,697,280	51,688
Capital Projects	164,200	0	(164,200)
Total	\$4,804,548	\$4,695,714	(\$108,834)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$765,449	\$848,576	(\$83,127)
Special Revenue	4,435,904	3,684,632	751,272
Capital Projects	66,000	950	65,050
Total	\$5,267,353	\$4,534,158	\$733,195

4. Property Tax

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

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

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

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

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. Debt

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$2,350,000	5%
Total	\$2,350,000	

The Township issued general obligation bonds to finance the purchase of a new administrative building located at 6757 Goshen Road. The Township's taxing authority collateralized the bonds.

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

2011	\$187,530
2012	184,155
2013	205,780
2014	201,280
2015	191,780
2016-2020	951,820
2021-2025	963,456
2026-2029	772,750
Total	\$3,658,551

Debt principal outstanding at December 31, 2010 was \$2,350,000.

6. Retirement Systems

The Township's certified Fire Fighters belong to the Ohio 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 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2010 and 2009, OPERS Law Enforcement members contributed 11.10% and 10.10%, respectively of their gross salaries and the Township contributed an amount equaling 17.87% and 17.63%, respectively, of participants' gross salaries. For 2010 and 2009, OPERS Local members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants gross salaries. The Township has paid all contributions required through December 31, 2010.

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public Officials liability;
- Law Enforcement liability;
- Crime & Terrorism;
- Storage Tank Third Party liability;
- Vehicles; and
- Errors and omissions.

Prior to 2009, the Government belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage's to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Government participates in this coverage.

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Risk Management (Continued)

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Government does not participate participates in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009.

	2010		2009	
	<u>OPRM</u>	<u>OPHC</u>	<u>OPRM</u>	<u>OPHC</u>
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.

8. Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. Related Organizations

Goshen Township has two related organizations; the Goshen Community Investment Corporation and Goshen Park District. The Goshen Community Investment Corporation is organized for the sole purpose of advancing, encouraging and promoting the industrial, economic, commercial, and civic development of the Township. The Goshen Park District was established for the betterment, operation, maintenance, and/or administration of park and recreation land and programs within Goshen Township. Members of the Governing Boards of these organizations are related to Goshen Township’s Board of Trustees through membership or initial appointment.

**GOSHEN TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

10. Compliance

The Township did not comply with the following budgetary requirements:

- Ohio Rev. Code Section 5705.36(A)(4) requires revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations.
- Ohio Rev. Code Section 5705.39 requires appropriations to be limited by estimated resources.
- Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.
- Ohio Rev. Code Section 5705.10(H) provides that money paid into any fund shall be used only for the purposes for which such fund is established. Township records indicate that the employees completed activities for multiple funds that were restricted and documentation did not support the allocation that was made to the restricted funds.
- Ohio Rev. Code Section 5705.41(D) provides that no expenditures be made without prior certification of the fiscal officer that the amount has been lawfully appropriated, however expenditures were made without this prior certification.
- Ohio Rev. Code Section 5705.14 provides rules relating to transfers, we noted transfers and advances that were not properly approved or performed as authorized in a timely manner.

The Township did not comply with ORC 507.04(A) regarding the accurate record of proceedings of Township meetings. The Township did not comply with OAC 117-2-02(A) requiring public offices to maintain accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions. The Township made opt out payments to employees in excess of 25% in violation of Ohio Rev. Code § 505.603.

11. Subsequent Events

On February 8, 2011, the Board approved to Dissolve Fund 4902 and transfer \$64,824.75 from Fund 4902 back to the General Fund.



Dave Yost • 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
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, 2010 and 2009, and have issued our report thereon dated April 30, 2012, 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. 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(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001, 2010-003, 2010-007 and 2010-010 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-009 described in the accompanying schedule of findings to be a significant deficiency.

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 2010-001 through 2010-008, 2010-010 and 2010-011.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated April 30, 2012.

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

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



Dave Yost
Auditor of State

April 30, 2012

GOSHEN TOWNSHIP
CLERMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code, Section 5705.14 (A),(B), (C), (D), & (E), states that no transfer can be made from one fund of a subdivision to any other fund, except as follows:

- 1) The unexpended balance in a bond fund.
- 2) The unexpended balance in any specific permanent improvement fund, other than a bond fund.
- 3) 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.
- 4) 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.
- 5) Money may be transferred from the general fund to any other fund of the subdivision.

In addition to the transfers authorized in section 5705.14 of the Revised Code noted above, Ohio Rev. Code Section 5705.15 states that the taxing authority of any political subdivision may, in the manner provided in this section and section 5705.16 of the Revised Code, transfer from one fund to another any public funds under its supervision, except the proceeds or balances of loans, bond issues, special levies for the payment of loans or bond 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.

We noted the following conditions related to transfers and advances:

- During 2009 the Township transferred \$164,200 from special revenue funds to capital projects funds, which is not allowed under Ohio Rev. Code Sections 5705.14-16. At year end, the Township transferred the unexpended amounts from the capital projects fund back to the special revenue funds. Amounts expended from the special revenue funds would have been allowed from the capital projects funds. The Township posted correcting entries to the financial statement to eliminate the net amount of the illegal transfer and reclassify as expenditures from the capital projects funds;
- The Township recorded a \$123,105 advance from the general fund to the fire district special revenue fund on January 14, 2009 without Trustee approval;

Audit adjustments were made to properly record the transfers and advances on the financial statements and the accounting records. We recommend that all transfers and advances be properly approved and performed as authorized in a timely manner.

**FINDING NUMBER 2010-001
(Continued)**

Officials' Response:

These concerns were addressed during the 2007/2008 audit, finding 2008-06. This is the Official's Response that accompanied that finding. "The previous board requested that Capital Improvement Funds be established and funds be transferred from Special Revenue Funds to meet expenses they felt should be tracked in Capital Improvement Funds. The Fiscal Officer wished to use a Capital Improvement line item within each fund, but the board pushed for the funds to be established. The Fiscal Officer worked with the County Auditor and determined the best way to meet that request was to set a Capital Improvement Fund for each Special Revenue Fund so as to not mingle funds. Prior to the release of this audit, the Fiscal Officer closed the Capital Improvement Funds during the 2009 Year End Processing and transferred the remaining balances back to the respective Special Revenue Fund. The Township plans to use a capital line item within each fund to manage these expenses." There have been no new transfers of money from restricted funds.

FINDING NUMBER 2010-002

NONCOMPLIANCE

Ohio Rev. Code, Section 507.04(A), states that the Township Fiscal Officer shall keep an accurate record of the proceedings of the board of the township trustees at all its meetings, and all of its accounts and transactions. During review of the 2009 and 2010 minutes of the Township's Board of Trustees, we noted the following deficiencies:

- The Township's Board of Trustees held four special meetings for which they maintained no written or signed records of proceedings in the minute book;
- The Township's Board of Trustees held eight meetings for which the minutes were not approved at subsequent meetings;
- The Township's web-site documented that a meeting took place on August 24, 2010, but there were no official signed minutes for that meeting in the minute book;
- The Township does not maintain minutes in a permanent, pre-numbered bound book;
- As noted in Finding 2010-001, the Township posted an advance of \$123,105 in 2009 but that advance was not approved by the Township's Board of Trustees;

Minutes which record the proceedings of the Board of Trustees should be promptly prepared, approved by the Board at the next meeting, and once approved signed by the President and the Fiscal Officer to authenticate the content of the minutes. Failure to prepare the minutes of the Board's meetings promptly could result in an inaccurate and/or incomplete record of the Board's actions that would not be detected in a timely manner, and a lack of availability for the public's inspection of the proceedings of the Board. Minute records are the official documents of the Board of Trustees, and all official approved transactions should be reflected in the Township's financial documents

We recommend that the Fiscal Officer prepare the minutes of the Board's meetings prior to the next scheduled meeting, submit them for approval, and the Trustees review and approve so that the actions of the Board are accurately recorded and available for public inspection.

**FINDING NUMBER 2010-002
(Continued)**

Officials' Response:

During the transition of the administrative assistant resigning and the new administrative assistant being hired nearly a year had passed. There were delays and mistakes made with the Minutes. As a result of this discussion with the Auditors, the Fiscal Officer reviewed all UAN transactions and the Minutes for 2011 to ensure they were posted and documented correctly. She is also working to ensure the minutes are completed and approved for each meeting. The Fiscal Officer is working to get an assistant so that tasks can be completed in a timelier manner and with more attention to detail.

FINDING NUMBER 2010-003

NONCOMPLIANCE AND MATERIAL WEAKNESS

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 Township did not post the following transactions to the proper fund type or account classification:

- The Township posted the County Levied, Permissive Motor Vehicle License monies in the amount of \$39,333 in 2010 and \$38,149 in 2009; respectively, as taxes instead of intergovernmental revenue;
- The Township did not post estate taxes at the gross amount, but rather they posted at the amount net of fees. The amount not posted was \$2,677 in 2009 and \$3,078 in 2010;
- In 2009, the Township posted Tangible Personal Property and HB66 intergovernmental receipts to taxes instead of intergovernmental revenue in the General, Road and Bridge, Police, Fire, Ambulance and Special Levy Funds in amounts of \$4,681, \$2,675, \$15,557, \$14,779, \$14,749, and \$12,706 respectively;
- In 2010, the Township posted Tangible Personal Property and HB66 intergovernmental receipts to taxes instead of intergovernmental revenue in the General, Road and Bridge, Police, Fire, Ambulance and Special Levy Funds in the amounts of \$1,857, \$1,061, \$4,927, \$4,555, \$4,719, and \$4,659 respectively;
- The Township received FEMA grants in 2009 and 2010. The Township approved the creation of a FEMA fund in the minute records. However, the FEMA fund was not created in the accounting system to account for the FEMA grants, contrary to Ohio Rev. Code Section 5705.09. The Township posted the following adjustments to the financial statements to reflect the activity of the FEMA grants.

**FINDING NUMBER 2010-003
 (Continued)**

Year	Fund	Amount	Proper Posting	Client Posting	Description
2009	2999 (FEMA)	\$22,164	Intergovernmental Revenue	Not Posted	To record Intergovernmental revenue in the FEMA fund
2009	2999 (FEMA)	\$22,164	Public Safety	Not Posted	To record the expenditure in the FEMA fund.
2009	2031	\$8,426	Other Sources	Intergovernmental	To show the reimbursement of prior year expenditures by FEMA funds
2009	2081	\$2,284	Other Sources	Intergovernmental	To show the reimbursement of prior year expenditures by FEMA funds
2009	2111	\$11,454	Other Sources	Intergovernmental	To show the reimbursement of prior year expenditures by FEMA funds
2010	2999 (FEMA)	\$123,500	Intergovernmental	Not posted	To record Intergovernmental revenue in the FEMA fund
2010	2999 (FEMA)	\$123,500	Public Safety	Not posted	To record the expenditure in FEMA fund.

In addition to the posting errors noted above, the Township posted the following receipts as a reduction of expenditures, which resulted in the understatement of receipts and disbursements by material amounts:

- In 2009, the Township recorded \$4,500 in intergovernmental receipts as a reduction of expenditure of \$700 in the Fire Fund and \$3,800 in the Ambulance Fund.
- In 2010, the Township recorded \$135,551 in intergovernmental receipts as reduction of expenditures of \$27,430, \$101,070, and \$7,051 in the Fire, Ambulance and Enforcement & Education Funds respectively;

Adjustments were posted to the financial statements and accounting records to properly record transactions.

We also noted the following conditions related to the Township's accounting records:

- The Township classified large dollar amounts on the "Other Adjusting Factors" line on the monthly bank reconciliations performed by the Fiscal Officer in both 2009 and 2010. The Fiscal Officer indicated that amounts were recorded as "Other Adjusting Factors" because: charges were not recorded in the system, deposits were not recorded in the system, and posting errors. Deposits not recorded and posting errors carried forward for consecutive months without posting. "Other Adjusting Factors" combined reached dollar amounts exceeding \$436,000.
- The Township did not file transaction documentation in a consistent manner: some documentation was filed in numerical order, some documentation was filed by type, and other documentation was filed alphabetically.
- The Township made payments to OPERS electronically but did not record the payments in the accounting system at the time the remittances were paid.

**FINDING NUMBER 2010-003
(Continued)**

- The August 28, 2009 minute records indicate that the Trustees approved a \$52,800 transfer from the General Fund to the Community and Economic Development Fund; however the transfer was not posted until September 30, 2010;
- Trustees approved a \$7,916 transfer from the general fund to the ambulance fund during the February 27, 2010 board meeting; however, the township posted the transfer to the special levy fund. Also, the entry was not posted until June 23, 2010;
- Trustees approved a \$225,097 transfer from the general fund to the special levy fund during the February 27, 2010 board meeting, but the transfer was posted to the ambulance fund. Also, the entry was not posted until June 23, 2010; and
- Trustees approved a \$14,715 transfer from the general fund to the cemetery fund during the March 16, 2010 board meeting, but the transfer was never posted.

Failure to post transactions accurately and timely: 1) resulted in inaccurate financial statements, 2) reduces the accountability over Township funds, 3) reduces the Board's ability to monitor financial activity and make informed financial decisions; and increased the risk that errors, theft and fraud could occur at not be detected in a timely manner.

We recommend that management develop financial recording and reporting review procedures to monitor the financial records to ensure complete, timely and accurate posting and reporting of transactions and consistent filing of transaction documentation.

Officials' Response:

The Fiscal Officer will meet with the Clermont County Auditor's representative for Goshen Township to clarify where the monies should be posted. In previous audits, the State Auditor and the Clermont County Auditor did not match on some directions. The Fiscal Officer will then reference the State Auditor's documentation to make corrections.

The Fiscal Officer will work with the State and the County Auditor's to create a FEMA Fund and will no longer reduce expenditures when money is refunded for FEMA projects.

The Fiscal Officer has been discussing the need for an assistant for the Fiscal Officer with the Township Administrator and the Board of Trustees. With the demands of the office there are time restraints on completing tasks. Most every task has a time restriction and the Fiscal Officer has prioritized the task to the best of her ability. The Fiscal Officer is working to get an assistant so that tasks can be completed in a timelier manner and with more attention to detail.

FINDING NUMBER 2010-004

NONCOMPLIANCE

Ohio Rev. Code, Section 5705.36(A)(4), states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The following funds had revenue that was less than the amount included on the official certificate and the amount of the deficiency would have reduced available resources below the level of current appropriations.

**FINDING NUMBER 2010-004
 (Continued)**

Year	Fund	Amount of Appropriations Exceeding Actual Resources
2009	2011 – Motor Vehicle	\$13,477
2009	2031 – Road & Bridge	14,281
2009	2111 – Fire	19,447
2009	2191 – Ambulance	65,278
2009	2221 – Drug Law	8,415
2009	2231 – Permissive MVL	44,812
2009	2271 – Enforcement & Education	1,350
2009	2901 – Misc Special Rev	13,614
2010	2191 - Ambulance	98,442

We recommend that the Township monitor estimated receipts and request a reduced amended certificate when the actual revenue collected will reduce resources below the amount appropriated.

Officials' Response:

The Clermont County Auditor's office requested a report from UAN and adjusted the Amended Certificate at the end of December each year. It resulted in the Official Documents showing that the township exceeded appropriations. By the time the Amended Certificate was received during year end processing, there was no way to make the necessary adjustments in UAN. The appropriations and revenue was reviewed throughout the year to make sure the township did not spend more than what was received. Starting in 2012, the Fiscal Officer did not send the report to the County Auditor's office and will request changes if needed. The Fiscal Officer is working to get an assistant so that tasks can be completed in a timelier manner and with more attention to detail.

FINDING NUMBER 2010-005

NONCOMPLIANCE

Ohio Rev. Code, Section 5705.39, states in part, the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission. No appropriation measure shall become effective until the County Auditor files with the appropriation authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the total amounts certified by the budget commission. Appropriations exceed the final estimated resources in the following funds:

**FINDING NUMBER 2010-005
 (Continued)**

Year	Fund	Amount Appropriations exceed final estimated resources
2009	2011- Motor Vehicle	\$14,591
2009	2021 – Gasoline Tax	4,589
2009	2031 – Road & Bridge	27,117
2009	2081 - Police	13,221
2009	2111 - Fire	40,765
2009	2191 - Ambulance	99,476
2009	2192 – Special Levy	10,991
2009	2221 – Drug Law Enforcement	11,275
2009	2231 – Permissive MVL	54,616
2009	2271 – Enforcement & Education	1,350
2009	2401 – Special Assessment	37,500
2009	2901 – Misc Special Revenue	13,614
2009	2999 (FEMA)	22,164
2010	2081 - Police	1,711
2010	2111 - Fire	20,177
2010	2271 – Enforcement & Education	365
2010	2999 (FEMA)	123,500

Failure to monitor appropriations and estimated resources could result in overspending and negative cash balances. The Board of Trustees should monitor the budgetary position of the Township throughout the year, to determine when appropriation amendments are needed.

Officials' Response:

The Clermont County Auditor's office requested a report from UAN and adjusted the Amended Certificate at the end of December each year. It resulted in the Official Documents showing that the township exceeded appropriations. By the time the Amended Certificate was received during year end processing, there was no way to make the necessary adjustments in UAN. The appropriations and revenue was reviewed throughout the year to make sure the township did not spend more than what was received. Starting in 2012, the Fiscal Officer did not send the report to the County Auditor's office and will request changes if needed. The Fiscal Officer is working to get an assistant so that tasks can be completed in a timelier manner and with more attention to detail.

The State Auditor's completed the 2009/2010 audit with little discussion with the Fiscal Officer. The Auditor's contacted the Fiscal Officer in January 2011 to start the audit. Due to the fact that the previous audits had all been performed later in the year, time constraints committed to by the Fiscal Officer prohibited the audit from starting. The State Auditor's began the audit in the fall and completed without much input from the Fiscal Officer due to a series of tragic events. At this time, the Fiscal Officer will look into the findings, assess what needs to be done, and address the needs in the future.

FINDING NUMBER 2010-006

NONCOMPLIANCE

Ohio Rev. Code, Section 5705.41B, prohibits a subdivision or taxing unit is to expend money unless it has been appropriated.

Expenditures exceeded appropriations in the following funds:

Year	Fund	Amount of expenditures that exceeded appropriations
2009	1000 – General	\$83,127
2009	2021 – Gasoline Tax	296
2009	2181 - Zoning	6,607
2010	1000 - General	130,244

Failure to monitor budgetary expenditures and available appropriations can result in overspending and negative cash balances. The Board of Trustees should monitor the budgetary expenditures and monitor the budgetary position of the Township through the year, to determine when appropriation amendments are needed.

Officials' Response:

The Clermont County Auditor's office requested a report from UAN and adjusted the Amended Certificate at the end of December each year. It resulted in the Official Documents showing that the township exceeded appropriations. By the time the Amended Certificate was received during year end processing, there was no way to make the necessary adjustments in UAN. The appropriations and revenue was reviewed throughout the year to make sure the township did not spend more than what was received. Starting in 2012, the Fiscal Officer did not send the report to the County Auditor's office and will request changes if needed. The Fiscal Officer is working to get an assistant so that tasks can be completed in a timelier manner and with more attention to detail.

The State Auditor's completed the 2009/2010 audit with little discussion with the Fiscal Officer. The Auditor's contacted the Fiscal Officer in January 2011 to start the audit. Due to the fact that the previous audits had all been performed later in the year, time constraints committed to by the Fiscal Officer prohibited the audit from starting. The State Auditor's began the audit in the fall and completed without much input from the Fiscal Officer due to a series of tragic events. At this time, the Fiscal Officer will look into the findings, assess what needs to be done, and address the needs in the future.

FINDING NUMBER 2010-007

MATERIAL WEAKNESS/NONCOMPLIANCE

Ohio Admin. Code, § 117-2-02 (C)(1), states all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

**FINDING NUMBER 2010-007
 (Continued)**

The estimated receipts entered in the accounting system and subsequently reported in the financial statements did not agree with estimated receipts certified by the budget commission on the latest amended certificate. Estimated receipts that were certified varied from those posted by material amounts as follows:

Fund Type	Estimated Receipts Certified by the Budget Commission	Estimated Receipts Posted	Variance
2009			
General Fund	\$994,756	\$888,061	(\$106,695)
Special Revenue Funds	3,645,592	3,775,645	130,053
Capital Projects Funds	164,200	200,750	36,550
2010			
General Fund	1,039,962	667,128	(372,834)
Special Revenue Funds	3,980,444	3,876,712	(103,732)
Capital Projects Funds	41,314	-0-	(41,314)

Failure to post the estimated receipts certified by the budget commission into the accounting system resulted in the officials relying on inaccurate information. The officials should be sure that the estimated receipts from the most current amended certificate are entered into the accounting system.

Appropriations posted to the accounting system and subsequently reported in the financial statements did not agree with appropriations made by the Board of Trustees in the following funds:

Fund Type	Appropriations Adopted or Filed	Appropriations Posted in the Accounting System	Variance
2009			
General Fund	\$765,449	\$931,870	\$166,421
Special Revenue Funds	4,435,904	4,153,587	(282,317)
Capital Project Funds	66,000	286,760	220,760
2010			
General Fund	1,031,529	1,125,443	93,914
Special Revenue	4,463,733	4,376,930	(86,803)

Failure to post the appropriations that have been approved by the Board of Trustees increases the risk that funds could be overspent. Adjustments were posted to the Township's financial statements to properly reflect appropriations and estimated receipts.

We recommend that the Board adopt appropriations and the amounts adopted should be recorded in the minute records. Only those appropriations that are adopted by the Board in the minute records should be posted in the accounting system and reported in the financial statements.

**FINDING NUMBER 2010-007
(Continued)**

Officials' Response:

The Clermont County Auditor's office requested a report from UAN and adjusted the Amended Certificate at the end of December each year. It resulted in the Official Documents showing that the township exceeded appropriations. By the time the Amended Certificate was received during year end processing, there was no way to make the necessary adjustments in UAN. The appropriations and revenue was reviewed throughout the year to make sure the township did not spend more than what was received. Starting in 2012, the Fiscal Officer did not send the report to the County Auditor's office and will request changes if needed. The Fiscal Officer is working to get an assistant so that tasks can be completed in a timelier manner and with more attention to detail.

The State Auditor's completed the 2009/2010 audit with little discussion with the Fiscal Officer. The Auditor's contacted the Fiscal Officer in January 2011 to start the audit. Due to the fact that the previous audits had all been performed later in the year, time constraints committed to by the Fiscal Officer prohibited the audit from starting. The State Auditor's began the audit in the fall and completed without much input from the Fiscal Officer due to a series of tragic events. At this time, the Fiscal Officer will look into the findings, assess what needs to be done, and address the needs in the future.

FINDING NUMBER 2010-008

NONCOMPLIANCE

Ohio Rev. Code, Section 5705.41(D), prohibits a subdivision or taxing unit from making any contract or giving any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 resolution.

Amounts of less than \$3,000 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.

FINDING NUMBER 2010-008
(Continued)

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable 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.

Contrary to the above requirement, the availability of funds was not certified prior to the Township incurring the obligation for 14 of the 47 expenditures tested (30%) for the audit period, In addition no evidence was found showing the Township followed the above mentioned exceptions. Additionally, 16 of 47 blanket purchase orders reviewed (34%) were not signed by the Fiscal Officer and one “then and now” certification used was above the amount allowed. Failure to certify the availability of funds and encumber appropriations reduces management’s ability to monitor available appropriations and can result in overspending funds and negative cash balances.

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 Fiscal Officer 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 Fiscal Officer’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 Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials’ Response:

The Clermont County Auditor’s office requested a report from UAN and adjusted the Amended Certificate at the end of December each year. It resulted in the Official Documents showing that the township exceeded appropriations. By the time the Amended Certificate was received during year end processing, there was no way to make the necessary adjustments in UAN. The appropriations and revenue was reviewed throughout the year to make sure the township did not spend more than what was received. Starting in 2012, the Fiscal Officer did not send the report to the County Auditor’s office and will request changes if needed. The Fiscal Officer is working to get an assistant so that tasks can be completed in a timelier manner and with more attention to detail.

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FINDING NUMBER 2010-009

SIGNIFICANT DEFICIENCY

The Township has contracted the following significant accounting functions to third-party administrators: payroll processing, emergency medical services (EMS) billing, and insurance claim processing. The Township has not established procedures to determine whether these service organizations have sufficient controls in place and operating effectively to reduce the risk that payroll, EMS billings, and health insurance claims have not been authorized or completely and accurately processed in accordance with Township policies and contracts. Statement of Auditing Standards No. 70 *Reporting on Controls at a Service Organization* (SAS No. 70), prescribes standards for reporting on service organizations. An unqualified Type Two *Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness* in accordance with SAS No. 70 should provide the Township with reasonable assurance that transactions conform to Township contracts and resolutions.

Payroll Processing

The Township has contracted with ADP for payroll processing and payroll tax services. The ADP SAS No. 70 report indicated controls that were required to be adopted by the user organizations. The Township did not have a copy of the ADP SAS No. 70 report and were not aware of the report. We noted the following conditions related to Township user controls:

- The Township controls did not ensure that all employee time records were input accurately and timely. As a result the Township had to enter information into ADP and issue the payroll checks from the Township account. The Township did not have controls in place to identify a duplicate payment if one occurred due to the Township processed check. This increases the risk of a duplicate payment.
- One time sheet tested was not approved by the supervisor. Failure approve timesheets could lead to inaccurate amounts being input into the ADP system.
- The Township did not notify ADP of required changes to their payroll output. Failure to do this resulted in Township employees' salaries being paid from restricted funds when the work was not allowable and required allocation beyond the ADP output reports. Audit adjustments were made to the Township's financial statements and accounting system to correct the errors.
- The reports generated by the Township and used for posting of the payroll expenditures to the Township accounting system did not agree to the monthly reports that were provided by ADP.
- Payments to OPERS were submitted timely, but were not recorded in the Township's accounting system when they were remitted.
- There was no evidence of management review of the Township tax reports.

EMS Billing

The Township contracted with Medicount Management for EMS billing. The Medicount Management SAS No. 70 report indicated controls that were required to be adopted by the user organizations. The Township provided no evidence that they had user controls in place to ensure that information is provided to the service organization accurately, completely, authorized and on a timely basis as the Medicount Management SAS No. 70 report recommends.

FINDING NUMBER 2010-009
(Continued)

Health Insurance Claim Processing

The Township contracted with Arcadia Benefits Group as a third party administrator for the Township portion of a high deductible health insurance plan. An Arcadia Benefits Group SAS No. 70 report was not provided for the audit. Although the transactions were not deemed material to the financial statements, we recommend that controls are in place to ensure that these transactions are processed correctly.

The Township should establish procedures to determine whether each service organization has sufficient controls in place and operating effectively to reduce the risk that amounts processed by the service organizations have not been authorized or completely and accurately processed in accordance with Township contracts and resolutions.

Statement of Auditing Standards No. 70 *Reporting on Controls at a Service Organization* (SAS No. 70), has been amended by Statement of Standards Attestation Engagements No. 16 (SSAE No. 16) and prescribes standards for reporting on service organizations. We recommend the Township require a Type Two SSAE No. 16 report in its future contracts with third-party administrators. The Township should review the SSAE No. 16 report timely. The report should follow the American Institute of Certified Public Accounts' standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective state. If the third-party administrator refuses to furnish the Township with a Type Two SSAE No. 16 report, we recommend the Township contract with a third-party administrator that will provide this report.

Additionally, for those third-party administrators that provide the Township with Type Two SSAE No.16 reports, the Township should review the report and ensure that user controls are in place to ensure that information is provided to the service organization accurately, completely, authorized and on a timely basis. The Township should also implement controls to document the review of output information received from the service organizations, such as reports summarizing approved transactions.

Officials' Response:

The Fiscal Officer has requested documentation from the State Auditor to aid in setting up the appropriate checks for third party resources.

FINDING NUMBER 2010-010

NONCOMPLIANCE/ MATERIAL WEAKNESS

Ohio Rev. Code, Section 5705.10(H), provides that money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The Ambulance Fund had a negative fund balance at the end of 2010 fiscal year end.

Documentation is required where a Township compensates Township employees from funds other than the general fund. Additionally, many local government revenue sources, including gas and motor vehicle license taxes, are "restricted" in that they may only be used for certain specific purposes. As such, all expenditures from such "restricted" funds must be documented to show that it was an allowable expenditure from that fund.

**FINDING NUMBER 2010-010
 (Continued)**

Approved employee timesheets indicate that the employees completed activities for multiple activities that charged restricted funds. We noted the following deficiencies:

- The Township Fiscal Officer did not charge the service department employees' payroll to the proper funds as documented on the employees' approved time sheets. As a result, restricted funds paid wages for services that were not allowed to be charged to the restricted fund.
- The Township did not utilize ADP records to allocate the amount of wages paid to an employee to clean the administrative building. The amount of wages allocated did not equal the amount of wages paid and did not include the cost of fringe benefits.
- The Township Administrator also serves as the Township Police Chief. Documentation was not maintained to support the amount charged to the restricted police fund for police duties.
- The Fire and EMS employees are cross trained and are paid from multiple restricted funds. The Township did not maintain support for the allocation of the salaries to ensure that the services provided were allowable to the fund that was charged.

The following adjustments were posted to the financial statements and accounting records to reflect the payroll charges in accordance with time that was documented on the employees' timesheets:

Year	Amount	Proper Classification	Reported Classification	Description
2009	\$ 34,852	General Fund/ General Government	Road and Bridge Fund/ Public Works	To re-allocated wages for general fund activity that were charged to the Road and Bridge fund
2009	\$ 31,681	General Fund/ General Government	Cemetery Fund Health	To re-allocate wages for general fund activity that were charged to the Cemetery fund
2010	\$ 28,263	General Fund/ General Government	Road and Bridge Fund/ Public Works	To re-allocate wages for general fund activity that were charged to the Road and Bridge fund
2010	\$ 36,565	General Fund/ General Government	Cemetery Fund/ Health	To re-allocate wages for general fund activity that were charged to the Cemetery fund

While it is allowable to pay Township employees from "restricted" funds, the amount of such payment must be proportionate to the time that the employee spent working in the service of the "restricted" fund. The easiest way to accomplish this is to have the employee include, in his/her time sheet, a breakdown of the hours worked and the type of services performed. Also, if a Township employee is compensated solely from the General Fund, this documentation is not required.

We recommend that the Township Clerk work with the department heads and ADP to develop a means to allocate payroll based the activities being performed by the employees. All payroll charges to restricted funds should have timesheet documentation to support the amounts that are allocated to restricted funds.

Officials' Response:

The Fiscal Officer worked with the Service Director to determine if the documented amounts were correct. After creating spreadsheets for each year and discussing with the Service Director, we do not believe they are correct.

FINDING NUMBER 2010-011

NONCOMPLIANCE/ FINDING FOR RECOVERY

Ohio Rev. Code, § 505.603, provides that a board of township trustees may offer benefits to officers and employees through a cafeteria plan that meets the requirements of section 125 of the “Internal Revenue Code of 1986,” 100 Stat. 2085, 26 U.S.C.A. 125, as amended, after first adopting a policy authorizing an officer or employee to receive a cash payment in lieu of a benefit otherwise offered to township officers or employees under any of those sections, but only if the cash payment does not exceed twenty-five percent of the cost of premiums or payments that otherwise would be paid by the board for benefits for the officer or employee under an offered policy, contract, or plan.

Goshen Township Trustees authorized payments of \$4,000 for employees that chose to participate in the cafeteria plan. The following Goshen Township employees elected to receive the cash payment in lieu of the benefits. These employees received payments that were more than twenty-five percent of the cost of premiums or payments that otherwise would be paid by the board for benefits as follows:

Employee	2009			2010			Total Overpayment
	25% of Costs	Payment	Over-payment	25% of Costs	Payment	Over-payment	
David Steele	\$3,484	\$4,000	(\$516)	\$3,773	\$4,000	(\$227)	(\$743)
Kathleen Alley	\$1,258	\$4,000	(\$2,742)	\$1,352	\$4,000	(\$2,648)	(\$5,390)
Ray Autenrieb	-	-	-	\$2,359	\$4,000	(\$1,641)	(\$1,641)
Loretta Burns	\$2,202	\$4,000	(\$1,798)	\$2,359	\$4,000	(\$1,641)	(\$3,439)
Chris Ellen	\$3,484	\$4,000	(\$516)	\$3,773	\$4,000	(\$227)	(\$743)

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against the following individuals:

- David Steele in the amount of \$743 and in favor of the Goshen Township General fund in the amount of \$67 and in favor of the Goshen Township Permissive Motor Vehicle License Tax fund in the amount of \$676.
- Kathleen Alley in the amount of \$5,390 and in favor of the Goshen Township General fund in the amount of \$1,073 and in favor of the Goshen Township Zoning fund in the amount of \$4,317.
- Ray Autenrieb and his bonding company, Ohio Plan Risk Management, Inc. of the State of Ohio, in the amount of \$1,641 and in favor of the Goshen Township General fund.
- Loretta Burns in the amount of \$3,439 and in favor of the Goshen Township Ambulance fund.
- Chris Ellen in the amount of \$743 and in favor of the Goshen Township General fund in the amount of \$516 and in favor of the Goshen Township Permissive Motor Vehicle License Tax fund in the amount of \$227.

**FINDING NUMBER 2010-011
(Continued)**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Revised Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Township Fiscal Officer Lisa Allen issued and signed checks, which overpaid the employees above and resulted in improper payment. Therefore, she and her bonding company, Travelers Casualty and Surety Company of America, are jointly and severally liable for \$11,956 and in favor of the Goshen Township General fund in the amount of \$3,297 and in favor of the Permissive Motor Vehicle License Tax fund in the amount of \$903 and in favor of the Ambulance fund in the amount of \$3,439 and in favor of the Zoning fund in the amount of \$4,317.

Furthermore, Township Trustee Jack Kuntz signed checks, which overpaid employees and resulted in improper payment. Therefore, Jack Kuntz, Township Trustee, and his bonding company, Ohio Plan Risk Management, Inc., are jointly and severally liable for \$10,315 and in favor of the Goshen Township General fund in the amount of \$1,656 and in favor of the Permissive Motor Vehicle License Tax fund in the amount of \$903 and in favor of the Ambulance fund in the amount of \$3,439 and in favor of the Zoning fund in the amount of \$4,317.

Furthermore, Township Trustee Bob Hausermann signed checks, which overpaid employees and resulted in improper payment. Therefore, Bob Hausermann, Township Trustee, and his bonding company, Ohio Plan Risk Management, Inc., are jointly and severally liable for \$6,384 and in favor of the Goshen Township General fund in the amount of \$1,641 and in favor of the Permissive Motor Vehicle License Tax fund in the amount of \$454 and in favor of the Ambulance fund in the amount of \$1,641 and in favor of the Zoning fund in the amount of \$2,648.

Furthermore, Township Trustee Thomas Cocoran signed checks, which overpaid employees and resulted in improper payment. Therefore, Thomas Cocoran, Township Trustee, and his bonding company, Ohio Plan Risk Management, Inc., are jointly and severally liable for \$5,572 and in favor of the Goshen Township General fund in the amount of \$1,656 and in favor of the Permissive Motor Vehicle License Tax fund in the amount of \$449 and in favor of the Ambulance fund in the amount of \$1,798 and in favor of the Zoning fund in the amount of \$1,669.

Lisa Allen, Jack Kuntz, Bob Hausermann, and Thomas Cocoran will only be liable to the extent that recovery is not obtained from the individuals above.

We recommend that Township Trustees calculate the twenty-five percent of premiums and payments prior to adopting a policy and authorizing cafeteria plan payments. The policy should limit cash payments to employees to 25% of the cost of premiums or payments that would be paid by the Township for benefits for the employee under an offered policy, contract, or plan.

**FINDING NUMBER 2010-011
(Continued)**

Officials' Response:

The Fiscal Officer is working with the Prosecuting Attorney's Office to set up reasonable payment plans for the employees affected by this finding. This occurred due to the Board of Trustee's trying to save the Township considerable funds by giving employees incentive to elect for insurance coverage from other sources. The Board of Trustees, Township Administrator, nor the Fiscal Officer was aware of the restriction allowing for only 25% of the premium that would be paid by the employee to be allowed for the Opt-Out Payment. The oversight was corrected in 2011 and will no longer be a problem for the Township.

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**GOSHEN TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 & 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	FFR Repaid Under Audit – Overpaid Employee	Yes	
2008-002	FFR Repaid Under Audit – Overpaid Employee	Yes	
2008-003	ORC Section 507.07 – Maintaining books of the Township & Section 117-2-02(A), maintaining accounting system & records	No	Not Corrected – Reissued as Finding Number 2010-003
2008-004	Vacation accruals & Usage did not comply with Labor Agreement & Township Personnel Policies & Employment Practices	No	Partially Corrected – Management Letter Comment
2008-005	ORC Section 5705.12 – Approval of new funds & Section 5705.14 (A thru E) Transferring from unallowable funds	No	Partially Corrected – Reissued as Finding Number 2010-001

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Dave Yost • 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
JUNE 5, 2012**