



Dave Yost • Auditor of State

CHESHIRE TOWNSHIP
GALLIA COUNTY

TABLE OF CONTENTS

| TITLE | PAGE |
|--|------|
| Independent Auditor's Report | 1 |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012 | 5 |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011 | 6 |
| Notes to the Financial Statements | 7 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 15 |
| Schedule of Findings..... | 17 |
| Schedule of Prior Audit Findings..... | 27 |

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Cheshire Township
Gallia County
100 Kyger Cemetery Road
Cheshire, Ohio 45620

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Cheshire Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Cheshire Township, Gallia County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

November 21, 2013

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**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | General | Special Revenue | Totals (Memorandum only) |
|--|-----------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$85,475 | \$107,008 | \$192,483 |
| Intergovernmental | 47,479 | 124,314 | 171,793 |
| Earnings on Investments | 1,342 | 354 | 1,696 |
| | <u>134,296</u> | <u>231,676</u> | <u>365,972</u> |
| <i>Total Cash Receipts</i> | | | |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 100,634 | 885 | 101,519 |
| Public Safety | 10,500 | | 10,500 |
| Public Works | | 162,398 | 162,398 |
| Health | 14,550 | | 14,550 |
| | <u>125,684</u> | <u>163,283</u> | <u>288,967</u> |
| <i>Total Cash Disbursements</i> | | | |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>8,612</u> | <u>68,393</u> | <u>77,005</u> |
| <i>Fund Cash Balances, January 1</i> | <u>38,043</u> | <u>288,659</u> | <u>326,702</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | | 357,052 | 357,052 |
| Assigned | 44,192 | | 44,192 |
| Unassigned (Deficit) | 2,463 | | 2,463 |
| | <u>\$46,655</u> | <u>\$357,052</u> | <u>\$403,707</u> |
| <i>Fund Cash Balances, December 31</i> | | | |

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

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | General | Special Revenue | Totals (Memorandum only) |
|--|-----------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$84,441 | \$105,153 | \$189,594 |
| Intergovernmental | 42,541 | 129,038 | 171,579 |
| Earnings on Investments | 856 | 269 | 1,125 |
| | <u>127,838</u> | <u>234,460</u> | <u>362,298</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 97,541 | 5,954 | 103,495 |
| Public Safety | 11,177 | | 11,177 |
| Public Works | 8,066 | 77,448 | 85,514 |
| Health | 13,400 | | 13,400 |
| Other | 580 | | 580 |
| Capital Outlay | | 1,835 | 1,835 |
| | <u>130,764</u> | <u>85,237</u> | <u>216,001</u> |
| <i>Total Cash Disbursements</i> | <u>130,764</u> | <u>85,237</u> | <u>216,001</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(2,926)</u> | <u>149,223</u> | <u>146,297</u> |
| <i>Fund Cash Balances, January 1</i> | <u>40,969</u> | <u>139,436</u> | <u>180,405</u> |
| Fund Cash Balances, December 31 | | | |
| Nonspendable | | | |
| Restricted | | 288,659 | 288,659 |
| Assigned | 12,055 | | 12,055 |
| Unassigned (Deficit) | 25,988 | | 25,988 |
| | <u>25,988</u> | <u>288,659</u> | <u>25,988</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$38,043</u> | <u>\$288,659</u> | <u>\$326,702</u> |

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

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 Cheshire Township, Gallia County (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, and fire protection. The Township contracts with the Village of Middleport Fire Department to provide fire services.

The Township participates in the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a risk-sharing pool available to Ohio governments. Note 7 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

These financial statements 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).

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

C. Deposits and Investments

The Township had one primary, interest bearing checking account during the audit period. The Township has no investments.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

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 re-appropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

CHESHIRE TOWNSHIP
GALLIA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

The Board of Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Board of Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Township Board of Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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.

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. Change in Accounting Principle

During 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

3. Equity in Pooled Deposits

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

| | | |
|-----------------|-----------|-----------|
| | 2012 | 2011 |
| Demand deposits | \$403,707 | \$326,702 |

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township or collateralized by the financial institution's public entity deposit pool.

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|------------|
| General | \$172,892 | \$134,296 | (\$38,596) |
| Special Revenue | 238,513 | 231,676 | (6,837) |
| Total | \$411,405 | \$365,972 | (\$45,433) |

2012 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|---------------------------|-----------|
| General | \$163,000 | \$131,865 | \$31,135 |
| Special Revenue | 496,200 | 171,928 | 324,272 |
| Total | \$659,200 | \$303,793 | \$355,407 |

2011 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|------------|
| General | \$152,718 | \$127,838 | (\$24,880) |
| Special Revenue | 242,200 | 234,460 | (7,740) |
| Total | \$394,918 | \$362,298 | (\$32,620) |

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity (Continued)

| 2011 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$132,000 | \$142,819 | (\$10,819) |
| Special Revenue | 227,300 | 99,133 | 128,167 |
| Total | \$359,300 | \$241,952 | \$117,348 |

Contrary to Ohio law, appropriations exceeded actual resources in the Road and Bridge Fund by \$55,153 for the year ended December 31, 2012. Also for the year ended December 31, 2012, contrary to Ohio law, appropriations exceeded estimated resources in the Road and Bridge Fund by \$62,240. In addition, at December 31, 2011, expenditures plus outstanding encumbrances exceeded appropriations and prior encumbrances in the General Fund by \$10,242.

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of 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.

6. Retirement System

The Township's employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township owed delinquent contributions in the amount of \$1,582 and penalties and interest in the amount of \$17 as of December 31, 2012.

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management Program

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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 coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs 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 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

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, 2012 and 2011.

| | <u>2012</u> | <u>2011</u> |
|-----------------|--------------------|--------------------|
| Assets | \$13,100,381 | \$12,501,280 |
| Liabilities | <u>(6,687,193)</u> | <u>(5,328,761)</u> |
| Members' Equity | <u>\$6,413,188</u> | <u>\$7,172,519</u> |

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

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Significant Commitments

Encumbrances

The Township utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the Township's commitments for encumbrances in the governmental funds were as follows:

| Fund | 2012 Amount | 2011 Amount |
|-----------------|-----------------|-----------------|
| General | \$6,181 | \$12,055 |
| Special Revenue | 8,645 | 13,896 |
| Total | <u>\$14,826</u> | <u>\$25,951</u> |

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Dave Yost • Auditor of State

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

Cheshire Township
Gallia County
100 Kyger Cemetery Road
Cheshire, Ohio 45620

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Cheshire Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated November 21, 2013 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits and adopted the provisions of Governmental Accounting Standards Board Statement No. 54.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weaknesses.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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 Findings 2012-003, 2012-005, and 2012-007 described in the accompanying Schedule of Findings to be material weaknesses.

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, opining 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 2012-001 through 2012-006 and 2012-008.

Entity's Response to Findings

The Township's response to the Findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

November 21, 2013

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

| |
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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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FINDING NUMBER 2012-001

Finding for Recovery

Ohio Rev. Code Section 505.601 states that if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium attributable to the coverage provided for them for insurance benefits described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the township will not reimburse the officer or employee.

(C) That resolution states the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Revised Code.

Ohio Revised Code Section 505.60(A) provides, in part, if the board procures any insurance policies under this section, the board shall provide uniform coverage under these policies for township officers and full-time township employees and their immediate dependents, and may provide coverage under these policies for part-time township employees and their immediate dependents.

Cheshire Township did not procure health insurance for any of its officers or employee and had opted to reimburse them for actual out-of-pocket premium costs. Pursuant to Ohio Rev. Code Section 505.601, the Board of Trustees adopted a resolution providing for a maximum monthly payment of \$825 for each officer and employee.

During 2011, Virginia Letson, Fiscal Officer, issued 2 checks to herself, totaling \$1,650 as reimbursement for her husband's payroll deductions for family healthcare coverage with no adequate support. Payments were not supported by documentation of the actual out-of-pocket premium paid.

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2012-001 (Continued)

Finding for Recovery (Continued)

The finding is as follows:

- \$ 1,650 Total amount reimbursed during 2011
- (\$0) Amount supported through confirmation at a maximum of \$825
- \$1,650 Total reimbursement over actual out-of-pocket costs

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Virginia Letson, Fiscal Officer, and the Travelers Casualty and Surety Company of America, her bonding company, jointly and severally, in the amount of \$1,650 and in favor of Cheshire Township, Gallia County, General Fund for \$1,650.

FINDING NUMBER 2012-002

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that 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 Budget Commission, and the Budget Commission shall certify an amended certificate reflecting the deficiency.

Appropriations exceeded actual resources at December 31, 2012 in the following fund:

| Fund | Actual Resources | Appropriations | Variance |
|----------------------|------------------|----------------|------------|
| Road and Bridge Fund | \$309,047 | \$364,200 | (\$55,153) |

This could cause the Township to obligate or expend more money than is available.

We recommend the Township monitor estimated and actual revenues for all funds on a regular basis. In a situation where appropriations exceed actual resources, the Township should adjust appropriations accordingly.

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-003

Noncompliance Citation and Material Weakness

Ohio Admin. Code Sections 117-2-01(D)(3) and (5) state that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Monthly reconciliations were performed by the Fiscal Officer, however, there were "Other Adjusting Factors" included in reconciliations which were not identified as to source.

"Other Adjusting Factors" included in the bank reconciliations by the Fiscal Officer totaled \$15,574 and \$18,197 at December 31, 2011 and December 31, 2012, respectively.

As a result, proof of cash procedures were required to be performed which identified that the "Other Adjusting Factors" were made up of the following:

- Checks which were written and cleared the bank but were not recorded in the Township's accounting system
- Receipts posted twice in the accounting system, and
- Prior period adjustment not made.

Unidentified "Other Adjusting Factors" included in monthly reconciliations can result in cumbersome reconciliations and can lead to inaccurate balances and errors going undetected for long periods of time.

We recommend the Fiscal Officer prepare the monthly bank to book reconciliations in a timely manner. We also recommend the Fiscal Officer immediately investigate any "Other Adjusting Factors" to identify the cause and take necessary procedures to correct or properly record the item. We further recommend the Board of Trustees request, review, and approve monthly reconciliations during monthly meetings of the Board of Trustees.

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2012-004

Noncompliance Citation

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate certificate.

Appropriations exceeded estimated resources as follows at December 31, 2012:

| Fund | Estimated Resources | Appropriations | Variance |
|----------------------|---------------------|----------------|------------|
| Road and Bridge Fund | \$301,960 | \$364,200 | (\$62,240) |

This could result in overspending if not properly monitored.

We recommend the Fiscal Officer and Board of Trustees monitor estimated resources and appropriations to ensure all appropriations are less than the estimated resources prior to approval. We further recommend the Fiscal Officer file permanent appropriations and amendments with the County Auditor and obtain a certificate from the budget commission indicating whether appropriations exceed resources.

FINDING NUMBER 2012-005

Noncompliance Citation and Material Weakness

Internal Revenue Code (IRC) Chapter 26 §3401, §3402, §3403, §3404, §3405, and §3102(a) require the employing government to withhold federal, state, and local income and employment related taxes (such as Medicare) and pension withholdings. They also require the government to report and remit those tax matters to the appropriate tax authorities and to the recipients.

The amount of federal withholdings and Medicare tax due at December 31, 2011 was \$7,168.01 and December 31, 2012 was \$8,231.91.

The Township failed to remit any federal payroll taxes during 2011 and 2012 in a timely manner.

On January 24, 2012, check number 8918 in the amount of \$8,576.39 was remitted to the Internal Revenue Service for federal withholdings for the following quarters: March 31, 2010, June 30, 2010, March 31, 2011, June 30, 2011, and September 30, 2011. Additionally, on June 11, 2013, check number 9389 in the amount of \$8,231.91 was remitted to the Internal Revenue Service for federal withholdings for the following quarters: December 31, 2011, June 30, 2012, September 30, 2012, and December 31, 2012.

Failure to properly remit payroll taxes can lead to significant penalties and interest against the Township.

CHESHIRE TOWNSHIP
GALLIA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

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

FINDING NUMBER 2012-005 (Continued)

Noncompliance Citation and Material Weakness (Continued)

We recommend that the Township properly withhold the necessary amounts as determined by the Internal Revenue Code. We further recommend that the Township report the amounts withheld and remit the amounts withheld to the proper authorities in the time frame prescribed by law.

FINDING NUMBER 2012-006

Noncompliance Citation

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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 5705.4(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 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. 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.

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2012-006 (Continued)

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

Ten percent (10%) in 2011 and Twenty-five percent (25%) in 2012 of disbursement transactions tested were not properly certified and there was no evidence that the Township followed the aforementioned exceptions.

Additionally, while scanning January and February 2012 expenditures, we identified three expenditures which were not properly certified in advance. Further, while scanning January and February 2013 expenditures, we identified an expenditure which was not properly certified in advance.

The Township did not have sufficient internal controls in place to ensure the certification of the availability of funds. Failure to certify the availability of funds properly 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 is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

We further 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 certificate language of Ohio Rev. Code Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs the commitment, and only when the requirements of Ohio Rev. Code Section 5705.41(D) are satisfied.

The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2012-007

Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustee's and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the financial statements had the following errors that required audit adjustment or reclassification:

For the year ended December 31, 2011:

- In the General Fund, a reclassification of \$29,335 was made from Property and Other Local Taxes to Intergovernmental revenue;
- In the General Fund, an adjustment was made to move Property and Other Local Taxes in the amount of \$157 to Road and Bridge Fund;
- In the General Fund, unrecorded tax settlement fees were recorded as General Government expenditures and Property and Other Local Taxes revenues in the amount of \$1,130;
- In the General Fund, an expenditure adjustment was made from the Motor Vehicle License Tax Fund of \$500, Gasoline Tax Fund of \$5,000, and Road and Bridge Fund of \$5,000 to Public Safety expenditures to properly reflect Fire Contract expense;
- In the General Fund, a reclassification of \$8,066 was made from General Government expenditures to Public Works expenditures;
- In the General Fund, an adjustment was made to record incorrectly posted expenditures relating to cemetery mowing from the following funds as General Fund Health expenditures in the total amount of \$13,400: Road and Bridge Fund - \$12,327; Motor Vehicle License Tax Fund - \$423; and Gasoline Tax Fund - \$650;
- In the General Fund, a reclassification of \$4,906 was made from Other Financing Uses to General Government expenditures;
- In the General Fund, a net reclassification was made from Assigned fund balance of \$60,070 to Unassigned fund balance;
- In the General Fund, an adjustment of \$6,399 was made to record unrecorded General Government expenditures;
- In the General Fund, an adjustment of \$3,092 was made from General Fund Property and Other Local Taxes revenues to Road and Bridge Fund Intergovernmental revenues;
- In the General Fund, an adjustment was made in the amount of \$46 to record Property and Other Local Taxes;
- In the Motor Vehicle License Fund, an adjustment was made to reduce Intergovernmental receipts in the amount of \$725 due to receipt being posted twice;
- In the Motor Vehicle License Tax Fund, a reclassification of \$1,000 was made from Public Works to General Government expenditures;
- In the Gasoline Tax Fund, an adjustment was made to reduce Intergovernmental revenues in the amount of \$6,725 due to receipts being posted twice in the UAN system;

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2012-007 (Continued)

Material Weakness (Continued)

For the year ended December 31, 2011 (Continued):

- In the Road and Bridge Fund, a reclassification of \$33,267 was made from Property and Other Local Taxes to Intergovernmental revenue;
- In the Road and Bridge Fund, an adjustment was made in the amount of \$3,267 to record tax settlement fees as General Government expenditures and Property and Other Local Taxes revenues;
- In the Road and Bridge Fund, an adjustment was made in the amount of \$55 to record Property and Other Local Taxes;
- In the Road and Bridge Fund, a reclassification was made in the amount of \$1,059 from Public Works to General Government;
- In the Road and Bridge Fund, an adjustment was made to record Intergovernmental revenue and Public Works expenditures in the amount of \$4,000 received from the County; and
- Unrecorded encumbrances were identified in the General Fund in the amount of \$9,492 and in the Motor Vehicle License Tax Fund in the amount of \$8,689.

For the year ended December 31, 2012:

- In the General Fund, a reclassification of \$41,228 was made from Intergovernmental revenue to Property and Other Local Taxes;
- In the General Fund, a reclassification of \$4,746 was made from Property and Other Local Taxes to Intergovernmental revenues;
- In the General Fund, an adjustment was made to record \$800 in tax settlement fees to Property and Other Local Taxes and General Government expenditures;
- In the General Fund, an adjustment of \$345 was made to record General Government expenditures and Property and Other Local Taxes revenues;
- In the General Fund, an expenditure reclassification was made of \$10,500 from General Government to Public Safety;
- In the General Fund, a reclassification was made of \$2,251 from Other Financing Sources to Intergovernmental revenue;
- In the General Fund, an expenditure reclassification was made of \$8,265 from Other Financing Uses to General Government;
- In the General Fund, an adjustment was made to reduce Other Financing Uses by \$1,735, General Government expenditures by \$7, and Intergovernmental Revenues by \$1,742;
- In the General Fund, a reclassification was made of \$43,277 from Restricted fund balance to Assigned fund balance;
- In the General Fund, a reclassification was made of \$52,915 from Restricted fund balance to Unassigned fund balance;

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2012-007 (Continued)

Material Weakness (Continued)

For the year ended December 31, 2012 (Continued):

- In the General Fund, a reclassification was made in the amount of \$915 from Unassigned Fund balance to Assigned fund balance;
- In the Gasoline Tax Fund, an adjustment to Public Works expenditures was made in the amount of \$661 to record unrecorded checks in the UAN system;
- In the Road and Bridge Fund, an adjustment was made in the amount of \$885 to record tax settlement fees to Property and Other Local Taxes revenues and General Government expenditures;
- In the Road and Bridge Fund, an adjustment was made in the amount of \$4,000 to record Intergovernmental revenue and Public Works expenditures for money received from the County;
- In the General Fund, an adjustment was made to record incorrectly posted expenditures from the following funds as General Fund Health expenditures in the total amount of \$14,550: Road and Bridge Fund - \$11,100 and Gasoline Tax Fund - \$3,450;
- In the General Fund, an adjustment was made to record insurance reimbursements in the amount of \$905; and
- Unrecorded encumbrances were identified in the General Fund in the amount of \$915.

The Fiscal Officer did not follow the UAN established account codes for all postings. This resulted in audit adjustments and reclassifications to the financial statements as noted above.

We recommend the Fiscal Officer refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts and expenditures. We further recommend the Township adopt policies and procedures including a final review of the financial statements and notes by the Fiscal Officer and Board of Trustees.

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2012-008

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2011, the Township's actual expenditures, plus outstanding encumbrances exceeded the appropriations and prior encumbrances as follows:

| Fund | Appropriations and Prior Encumbrances | Budgetary Expenditures | Variance |
|--------------|--|---------------------------|------------|
| General Fund | \$132,578 | \$142,820 | (\$10,242) |

The excesses resulted from audit adjustments to report purchase obligations existing at December 31, 2011. Expending or obligating more than appropriated can result in deficit spending by the Township.

We recommend the Township encumber all obligations as required so that the financial system reflects accurate amounts for adequate budgetary monitoring.

Officials' Response:

We will attempt to take the necessary steps to correct these findings for the next audit. We will make appropriate changes to address these comments in order to be compliant.

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2010-01 | Finding for Recovery relating to Fiscal Officer insurance reimbursements. | No | Similar finding issued as Finding Number 2012-001. |
| 2010-02 | Finding for Recovery Repaid Under Audit relating to Trustee insurance reimbursements. | Yes | |
| 2010-03 | Noncompliance citation and material weakness relating to Ohio Rev. Code Section 5705.14(E) regarding transfer of funds. | Yes | |
| 2010-04 | Noncompliance citation relating to Ohio Rev. Code Section 5705.36(A)(4) regarding appropriations exceeding actual resources. | No | Reissued as Finding No. 2012-002 |
| 2010-05 | Noncompliance citation relating to Ohio Rev. Code Section 5705.39 regarding appropriations exceeding estimated resources. | No | Reissued as Finding No. 2012-004 |
| 2010-06 | Noncompliance Citation relating to Ohio Rev. Code Section 5705.41(D)(1) for improper encumbering. | No | Reissued as Finding No. 2012-006 |
| 2010-07 | Noncompliance Citation and significant deficiency relating to Ohio Rev. Code Section 5705.10(H) regarding advances from one fund to another. | Yes | |

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2010-08 | Noncompliance Citation relating to Ohio Rev. Code Section 5705.41(B) relating to expenditures exceeding appropriations. | No | Reissued as Finding No. 2012-008 |
| 2010-09 | Material weakness regarding sound financial reporting. | No | Reissued as Finding No. 2012-007 |



Dave Yost • Auditor of State

CHESHIRE TOWNSHIP

GALLIA 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
DECEMBER 19, 2013**