



**Auditor of State
Betty Montgomery**

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Springfield Township
Clark County
705 East Leffel Lane
Springfield, Ohio 45505

To the Board of Trustees:

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Springfield Township
Clark County
Independent Accountants' Report
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This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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Betty Montgomery
Auditor of State

October 7, 2004

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

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

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$6,267	\$1,355,237	\$272,722	\$1,634,226
Intergovernmental	331,986	442,139	161,870	935,995
Special Assessments		4,629		4,629
Charges for Services		27,253		27,253
Licenses, Permits, and Fees		63,616		63,616
Earnings on Investments	136,043	4,703		140,746
Other Revenue	193,829	5,617	11,022	210,468
	<u>668,125</u>	<u>1,903,194</u>	<u>445,614</u>	<u>3,016,933</u>
Cash Disbursements:				
Current:				
General Government	568,147	26,913		595,060
Public Safety		705,106	3,327	708,433
Public Works	53,800	815,169		868,969
Health		206,238		206,238
Conservation - Recreation		15,000		15,000
Miscellaneous		56,924		56,924
Capital Outlay	261,540	157,661	265,400	684,601
	<u>883,487</u>	<u>1,983,011</u>	<u>268,727</u>	<u>3,135,225</u>
Total Receipts Over/(Under) Disbursements	(215,362)	(79,817)	176,887	(118,292)
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Other Proceeds from Sale of Public Debt	115,000			115,000
Other Sources		4,154		4,154
Other Uses			(2,558)	(2,558)
	<u>115,000</u>	<u>4,154</u>	<u>(2,558)</u>	<u>116,596</u>
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(100,362)	(75,663)	174,329	(1,696)
Fund Cash Balances, January 1	<u>4,503,450</u>	<u>1,253,077</u>	<u>828,143</u>	<u>6,584,670</u>
Fund Cash Balances, December 31	<u>\$4,403,088</u>	<u>\$1,177,414</u>	<u>\$1,002,472</u>	<u>\$6,582,974</u>
Reserve for Encumbrances, December 31			<u>\$31,415</u>	<u>\$31,415</u>

See accompanying notes to the financial statements.

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCE
NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Non-Expendable Trust Fund</u>
Cash Receipts:	
Earnings on Investments	\$473
Cash Disbursements	<u>0</u>
Cash Receipts Over Cash Disbursements	473
Fund Cash Balance, January 1	<u>26,065</u>
Fund Cash Balance, December 31	<u><u>\$26,538</u></u>

See accompanying notes to the financial statements.

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

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

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$6,213	\$1,315,541	\$274,109	\$1,595,863
Intergovernmental	205,394	244,778	44,197	494,369
Special Assessments		4,545		4,545
Charges for Services		23,996		23,996
Licenses, Permits, and Fees		67,627		67,627
Earnings on Investments	77,294	35,546		112,840
Other Revenue	<u>146,327</u>	<u>7,482</u>	<u>3,500</u>	<u>157,309</u>
 Total Cash Receipts	 435,228	 1,699,515	 321,806	 2,456,549
Cash Disbursements:				
Current:				
General Government	509,862	32,850		542,712
Public Safety		607,428	56,386	663,814
Public Works	47,127	715,390		762,517
Health		144,502		144,502
Miscellaneous		72,821		72,821
Capital Outlay	<u>165,811</u>	<u>432,838</u>	<u>233,144</u>	<u>831,793</u>
 Total Cash Disbursements	 <u>722,800</u>	 <u>2,005,829</u>	 <u>289,530</u>	 <u>3,018,159</u>
Total Receipts Over/(Under) Disbursements	(287,572)	(306,314)	32,276	(561,610)
 Other Financing Receipts and (Disbursements):				
Other Sources		6,031		6,031
Other Uses			(6,384)	(6,384)
 Total Other Financing Receipts/(Disbursements)		<u>6,031</u>	<u>(6,384)</u>	<u>(353)</u>
 Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 (287,572)	 (300,283)	 25,892	 (561,963)
 Fund Cash Balances, January 1(as restated - Note 10)	 <u>4,791,022</u>	 <u>1,553,360</u>	 <u>802,251</u>	 <u>7,146,633</u>
 Fund Cash Balances, December 31	 <u>\$4,503,450</u>	 <u>\$1,253,077</u>	 <u>\$828,143</u>	 <u>\$6,584,670</u>

See accompanying notes to the financial statements.

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCE
NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Non-Expendable Trust Fund</u>
Cash Receipts:	
Earnings on Investments	\$798
Other Revenue	<u>2,573</u>
Total Cash Receipts	3,371
Cash Disbursements:	
Capital Outlay	<u>9,595</u>
Total Receipts (Under) Disbursements	(6,224)
Fund Cash Balance, January 1	<u>32,289</u>
Fund Cash Balance, December 31	<u><u>\$26,065</u></u>

See accompanying notes to the financial statements.

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Springfield Township, Clark County, (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

Certificates of deposit and government agency securities are valued at cost. Money market mutual funds are recorded at share values reported by the mutual fund.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Emergency Medical Service Operating Fund – This fund receives property tax money for emergency medical services.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds

Fire Equipment Levy Fund - This fund receives property tax money for capital equipment and facilities for fire protection services

Emergency Medical Services Equipment Levy Fund - This fund receives property tax money for capital equipment and facilities for emergency medical services

5. Fiduciary Funds (Trust and Agency Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Cemetery Non-Expendable Trust Fund – Amounts donated are maintained in perpetuity. Investment earnings are used for indigent burial expenses.

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.

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

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

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

H. Leases

The Township entered into a lease purchase agreement with National City Bank of Cleveland, Ohio for the lease of a 1996 Vemeer Tub Grinder.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$77,519	\$44,149
Savings	3,924	3,897
Certificates of deposit	851,543	835,491
Total deposits	<u>932,986</u>	<u>883,537</u>
Money Market Mutual Funds	666,812	437,643
Federal National Mortgage Association Notes	1,001,833	1,482,147
Federal National Mortgage Association Bonds		1,000,000
Federal Home Loan Mortgage Corp. Notes		2,507,408
Federal Home Loan Mortgage Corp. Bonds	3,007,881	
Federal Home Loan Bank Bonds	<u>1,000,000</u>	<u>300,000</u>
Total investments	<u>5,676,526</u>	<u>5,727,198</u>
Total deposits and investments	<u><u>\$6,609,512</u></u>	<u><u>\$6,610,735</u></u>

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

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Investments: Investments in money market mutual funds are not evidenced by securities that exist in physical or book-entry form. Government Agency Notes and Bonds are held in book-entry form by Key Bank Securities Safekeeping Department in the Township's name.

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$506,488	\$783,125	\$276,637
Special Revenue	1,909,742	1,907,348	(2,394)
Capital Projects	306,712	445,614	138,902
Fiduciary	10,009	473	(9,536)
Total	<u>\$2,732,951</u>	<u>\$3,136,560</u>	<u>\$403,609</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,020,000	\$883,487	\$4,136,513
Special Revenue	3,146,000	1,983,011	1,162,989
Capital Projects	1,169,000	302,700	866,300
Fiduciary	14,000	0	14,000
Total	<u>\$9,349,000</u>	<u>\$3,169,198</u>	<u>\$6,179,802</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$550,350	\$435,228	(\$115,122)
Special Revenue	1,674,884	1,705,546	30,662
Capital Projects	325,530	321,806	(3,724)
Fiduciary	3,000	3,371	371
Total	<u>\$2,553,764</u>	<u>\$2,465,951</u>	<u>(\$87,813)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,173,000	\$722,800	\$4,450,200
Special Revenue	3,413,100	2,005,829	1,407,271
Capital Projects	1,021,000	295,914	725,086
Fiduciary	66,802	9,595	57,207
Total	<u>\$9,673,902</u>	<u>\$3,034,138</u>	<u>\$6,639,764</u>

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
(Continued)**

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Grinder Lease Purchase	\$115,000	2.4%

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

	Grinder Lease Purchase
Year ending December 31:	
2004	\$40,250
2005	40,173
2006	39,254
Total	\$119,677

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Coverage

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

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions. The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Financial Position

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

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

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

Commercial Insurance

The Township also provides health insurance, dental and vision coverage to employees through private carriers.

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
(Continued)**

8. SUBSEQUENT EVENTS

On May 11, 2004, the Township entered into a \$60,726 dozer lease purchase agreement with National City Bank for five years. Additionally, the Township agreed during August, 2004, to purchase fire fighting apparatus for \$244,500.

9. NONCOMPLIANCE

Contrary to Ohio Law, the Township did comply with requirements regarding the certification of the availability of funds, distribution of interest, the authorization of necessary tax rates, approval of transfers, and negative fund balances.

10. PRIOR PERIOD ADJUSTMENT

	General Fund	Special Revenue Funds
Fund Balances, 12/31/2001 (previously reported)	\$4,841,493	\$1,502,889
Reclassify Lighting Fund	<u>(50,471)</u>	<u>50,471</u>
Fund Balances (restated 1/1/02)	<u>\$4,791,022</u>	<u>\$1,553,360</u>

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Auditor of State Betty Montgomery

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

Springfield Township
Clark County
705 East Leffel Lane
Springfield, Ohio 45505

We have audited the financial statements of Springfield Township (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-005. We also noted certain immaterial instances of noncompliance that we have reported to the Township's management in a separate letter dated October 7, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-006 to 2003-009.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider reportable conditions 2003-006 and 2003-007 listed above to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the Township's management in a separate letter dated October 7, 2004.

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Springfield Township
Clark County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended solely for the information and use of the management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

October 7, 2004

**SPRINGFIELD TOWNSHIP]
CLARK COUNTY**

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

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

FINDING NUMBER 2003 - 001

Ohio Rev. Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

Ohio Rev. Code Section 5705.41(D) provides the following exception to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Ohio Rev. Code Section 5705.41(D) also allows fiscal officers to issue regular or super blanket certificates. Regular blanket certificates may be issued for the amount established by resolution against any appropriation line item over a period not running beyond the end of the calendar year. Only one regular blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Super blanket certificates may be issued for any amount for expenditures from a specific line item appropriation for professional services, fuel, utilities, health insurance and any other specific recurring and reasonably predictable operating expense over a period not running beyond the end of the calendar year. More than one super blanket certificate may be outstanding at one particular time for a particular line item appropriation.

The Township did not properly certify the availability of funds prior to obligation for 88% of purchases tested, and did not use the exceptions above. The Township should implement procedures to certify the availability of funds prior to ordering goods or services to prevent overspending available resources.

FINDING NUMBER 2003- 002

Ohio Rev. Code Section 135.21 states that all interest must be credited to the General Fund with the following exceptions:

- Interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.
- Interest earned on the cemetery bequest fund is to be credited to that fund.

During 2003, interest earnings in the amount of \$5,394 and \$809 were incorrectly distributed to the EMS Operating and Road District Funds, respectively. During 2002, the Cemetery Operating Fund was inappropriately allocated interest earnings in the amount of \$1,616.

The Township Clerk should credit interest only to the appropriate funds to provide for accurate fund balances for use in financial management. The accompanying financial statements have been adjusted to properly reflect interest distributions.

FINDING NUMBER 2003- 003

Ohio Rev. Code Section 5705.34 states that each taxing authority is to pass a resolution to authorize necessary tax levies. Each taxing authority is to certify the tax levies to the County Auditor before October 1st, unless a later date is approved by the tax commissioner.

The Board of Trustees did not authorize the necessary tax rates for 2003 and 2002. The Board of Trustees should authorize the necessary tax levies before October 1st and this action should be recorded in the minutes of the Township meetings.

FINDING NUMBER 2003- 004

Ohio Rev. Code Section 5705.14 states that money may be transferred from the General Fund to any other fund of the subdivision by resolution of the taxing authority. On December 31, 2002, \$66,006 was transferred from the General Fund to the Road District Fund # 11 and \$11,422 was transferred from the General Fund to the Zoning Fund # 13. On August 12, 2003, \$16,000 was transferred from the General Fund to the Road and Bridge Fund # 4. On December 31, 2003, \$183,898 was transferred from the General Fund to the Road and Bridge Fund # 4 and \$ 4,092 was transferred from the General Fund to the Zoning Fund # 13. Since no resolution approving these transfers was recorded in the minutes, these transfers were eliminated from the financial statements. Procedures should be developed and implemented to require Trustees approval of all transfers among funds prior to the transfer occurring to improve control over the Township's finances.

FINDING NUMBER 2003- 005

Ohio Rev. Code Section 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balances indicate that money from one fund was used to cover the expenses of another fund.

On December 31, 2002 and 2003, the following funds had negative fund balances:

<u>Funds</u>	<u>Fund Balances December 31, 2003</u>	<u>Fund Balances December 31, 2002</u>
Road & Bridge	(183,314)	
Road District	(13,513)	(58,506)
Zoning	(10,834)	(6,742)

Negative fund balances indicate that funds were not used for their intended or required purposes. Procedures should be developed and implemented to require accurate records be kept and monitored to prevent overspending of individual fund balances, as well as the Township's total resources. In the event of additional necessary funding, the Township should consider the use of allowable transfers/advances to provide funding.

REPOERTABLE CONDITIONS / MATERIAL WEAKNESSES

FINDING NUMBER 2003- 006

Cash Reconciliations

Numerous errors were noted in the Township's cash reconciliation process, including double posting of interest revenue and incorrect posting of prior period audit adjustments. On the December 31, 2002 cash reconciliation, one bank balance was overstated \$152,143. The December 31, 2003, cash reconciliation had the Township's mutual fund investment understated by \$94,334, and the Township's government agency investments overstated by \$237,160. These errors made the Township's books appear to reconcile with the bank during the period, thus providing the Trustees with overstated cash fund balances. This could lead to over appropriating and overspending.

**FINDING NUMBER 2003- 006
(Continued)**

The Clerk should prepare timely and accurate reconciliations to provide management with accurate reconciled balances. Lack of timely and accurate information impedes the Trustees ability to make proper decisions regarding the Township's activities.

Monthly bank reconciliations should be a basic part of the record keeping function of the Township and should be done accurately and timely. These should be reliable to provide necessary information to the Trustees for financial decision making purposes and to find any previously undetected errors in the Township's records. Further, detailed reviews of the reconciliations should be preformed by someone independent of the record keeping process on a regular basis. Finally, a Township of this size, with its varied resources and operations, should be able to prepare accurate and timely reconciliations as a part of routine processing.

The Township should develop internal control procedures that will allow the Trustees to monitor the timely completion of reconciliations and to include approval as to the accuracy of the reconciliations as a specific item of business in the Board's minutes. For further segregation of duties over the reconciliation process, personnel separate from the financial recording should periodically prepare the monthly reconciliation. This comment is repeated from prior reports and should be addressed immediately.

FINDING NUMBER 2003- 007

Posting of Financial Activity

The financial statements should reflect an accurate account of the Township's activity. Numerous misclassifications of revenue, expenditures and transfers were made to the Township's 2003 and 2002 financial records, including duplicate postings of interest, omission of revenue and posting of items to incorrect accounts.

Inaccurate financial reporting impeded the ability of the Trustees to make informed management decisions.

The Township should develop internal control procedures to provide for accurate reporting of financial activity. This should include routine review of all financial records by someone independent of the financial record keeping process.

REPORTABLECONDITIONS

FINDING NUMBER 2003-008

Interest Revenue

The following was noted during the test of interest receipts:

- Interest revenue on mutual funds was receipted only five times during 2002 and one was a duplicate of the other four. Interest on these funds was receipted only twice during 2003.
- Interest revenue was not receipted for Cornerstone Bank certificates of deposit during 2002. Interest revenue was receipted only once for all other investments during 2002.
- Interest revenue was not receipted during 2003 for Cornerstone Bank, Key Bank and Home City Federal Savings Bank certificates of deposit. Interest revenue was receipted only once for all other investments during 2003.

Failure to post interest revenue to the ledgers in a timely manner understates the monthly revenue reports submitted for the Trustees use in decision making and hampers the monthly reconciliation process. The Township should post interest revenue to the ledgers in a timely manner to provide an accurate listing of revenues and to reduce the potential for errors in monthly reconciliations.

FINDING NUMBER 2003- 009

Audit Committee

The Township should establish an audit committee to serve as a liaison between management and its auditors. The primary functions of such a committee are to monitor and review the Township's accounting and financial reporting practices, and to follow up on citations and recommendations made by its auditors.

The Audit Committee should be actively involved in:

- Meeting with the Township's independent auditors before and after each audit ;
- Monitoring the progress of the financial and compliance audit;
- Evaluating the results of the financial and compliance; and
- Ensuring that the internal control and legal compliance issues identified in the audit are promptly and effectively remedied.

In addition, the audit committee should meet regularly (perhaps quarterly) to monitor the Township's legal compliance financial condition and control over safeguarding of assets.

The audit committee can include members of the Board of Trustees. However, it can also include representation that is independent from elected officials or management. The committee could include professionals knowledgeable in the Township's financial operation, such as attorneys and bankers.

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40312-001	ORC Sec. 117.28 - Finding for Recovery	Yes	
2001-40312-002	ORC Sec. 9.38 - Failure to deposit receipts timely	Yes	
2001-40312-003	ORC Sec. 153.51 & 153.52 - Failure to issue contracts for goods and services that were bid	Yes	
2001-40312-004	ORC Sec. 5705.41(D) - Failure to certify funds for expenditure	No	Not corrected. Reissued as finding 2003-001
2001-40312-005	ORC Sec. 5705.34 - Failure to authorize tax rates	No	Not corrected. Reissued as finding 2003-003
2001-40312-006	ORC Sec. 4115.04 & 4115.05 - Failure to obtain prevailing wage rates	Yes	
2001-40312-007	ORC Sec. 135.21 – Incorrect crediting of interest earned	No	Not corrected. Reissued as finding 2003-002
2001-40312-008	Inadequate controls over purchasing	Yes	
2001-40312-009	Failure of Clerk to provide financial reports to Trustees monthly	Yes	
2001-40312-010	Inaccurate posting of financial activity	No	Not corrected. Reissued as finding 2003-007
2001-40312-011	Inaccurate cash reconciliations	No	Not corrected. Reissued as finding 2003-006
2001-40312-012	Failure to post interest revenue timely	No	Not corrected. Reissued as finding 2003-008
2001-40312-013	Failure to establish audit committee	No	Not corrected. Reissued as finding 2003-009



**Auditor of State
Betty Montgomery**

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SPRINGFIELD TOWNSHIP

CLARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 16, 2004**