

SPRINGFIELD TOWNSHIP

Gallia County

Regular Audit

January 1, 2004 through December 31, 2005

Fiscal Years Audited Under GAGAS: 2005 - 2004

BALESTRA, HARR & SCHERER, CPAs, INC.

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Mary Taylor, CPA

Auditor of State

Board of Trustees
Springfield Township
1999 Duly Road
P.O. Box 22
Bidwell, Ohio 45614

We have reviewed the *Independent Auditor's Report* of Springfield Township, Gallia County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Springfield Township is responsible for compliance with these laws and regulations.

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MARY TAYLOR, CPA
Auditor of State

January 12, 2007

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**SPRINGFIELD TOWNSHIP
GALLIA COUNTY**

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Independent Auditor's Report

Board of Trustees
Springfield Township
1999 Duly Road
Bidwell, Ohio 45614

We have audited the accompanying financial statements of the Springfield Township, Gallia County, Ohio, (the Township) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to 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 described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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


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

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

Board of Trustees
Springfield Township
Independent Auditor's Report
Page 2

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2006, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

October 6, 2006

**SPRINGFIELD TOWNSHIP
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 39,159	\$ 66,268	\$ 105,427
Charges For Services	-	4,439	4,439
Licenses, Permits & Fees	2,077	-	2,077
Intergovernmental	40,388	103,652	144,040
Earnings On Investments	523	17	540
Other Revenue	-	5,639	5,639
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	82,147	180,015	262,162
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	53,979	22,253	76,232
Public Safety	-	17,803	17,803
Public Works	2,000	97,500	99,500
Health	11,502	-	11,502
Miscellaneous	89	121	210
Capital Outlay	186	1,109	1,295
Debt Service:			
Principal Retirement	-	19,800	19,800
Interest and Fiscal Charges	-	1,712	1,712
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	67,756	160,298	228,054
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over(Under) Cash Disbursements	14,391	19,717	34,108
	<hr/>	<hr/>	<hr/>
Other Financing Receipts (Disbursements):			
Operating Transfers In	-	500	500
Operating Transfers - Out	(500)	-	(500)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts (Disbursements)	(500)	500	-
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Disbursements	13,891	20,217	34,108
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	13,244	92,571	105,815
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$ 27,135	\$ 112,788	\$ 139,923
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	\$ 3,847	\$ 3,250	\$ 7,097
	<hr/>	<hr/>	<hr/>

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

**SPRINGFIELD TOWNSHIP
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 32,325	\$ 63,333	\$ 95,658
Charges For Services	-	8,108	8,108
Licenses, Permits & Fees	1,486	-	1,486
Intergovernmental	35,117	78,491	113,608
Earnings On Investments	172	127	299
Other Revenue	1,613	796	2,409
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	70,713	150,855	221,568
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	42,586	79	42,665
Public Safety	-	18,171	18,171
Public Works	1,845	88,173	90,018
Health	3,121	-	3,121
Human Services	441	-	441
Conservation and Recreation	-	14,053	14,053
Miscellaneous	-	(121)	(121)
Capital Outlay	-	50,580	50,580
Debt Service:			
Principal Retirement	-	9,398	9,398
Interest and Fiscal Charges	-	916	916
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	47,993	181,249	229,242
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over(Under) Cash Disbursements	22,720	(30,394)	(7,674)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts (Disbursements):			
Sale of Notes	-	48,063	48,063
Operating Transfers In	-	2,846	2,846
Other Financing Uses	(20)	(475)	(495)
Operating Transfers - Out	(2,846)	-	(2,846)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts (Disbursements)	(2,866)	50,434	47,568
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Disbursements	19,854	20,040	39,894
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1, (as restated, see note 8)	(6,610)	72,531	65,921
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$ 13,244	\$ 92,571	\$ 105,815
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserve for Encumbrances, December 31	\$ 4,208	\$ 3,520	\$ 7,728
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Springfield Township
Gallia County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Springfield Township, Gallia County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, and fire protection 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 included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. **General Fund** - The General Fund 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:

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

Fire Levy Fund – This fund receives tax monies for fire protection services.

Federal Emergency Management (FEMA) Fund – This fund received money from the State and Federal Government as disaster relief from February 2003 ice storm.

Springfield Township
 Gallia County, Ohio
 Notes to the Financial Statements
 For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Projects Fund – This fund was used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following Capital Project Fund:

Charolais Lake Project Fund – This fund received money from resident donations and other funding for a road project.

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 and object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

A summary of 2005 and 2004 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand Deposits	\$139,923	\$105,815
Total deposits and Investments	\$139,923	\$105,815

Springfield Township
 Gallia County, Ohio
 Notes to the Financial Statements
 For the Years Ended December 31, 2004 and 2005

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution for its public deposits.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and December 31, 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$80,956	\$82,147	\$1,191
Special Revenue	233,672	180,515	(53,157)
Total	\$314,628	\$262,662	(\$51,966)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$77,383	\$72,103	\$5,280
Special Revenue	219,544	163,548	55,996
Total	\$296,927	\$235,651	\$61,276

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,969	\$70,713	(\$9,256)
Special Revenue	252,957	201,764	(51,193)
Total	\$332,926	\$272,477	(\$60,449)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$68,909	\$55,067	\$13,842
Special Revenue	276,265	185,244	91,021
Total	\$345,174	\$240,311	\$104,863

Contrary to Ohio law, expenditures exceeded appropriations at December 31, 2005 in the FEMA fund by \$10,687. Also, contrary to Ohio law, expenditures were not certified by the clerk prior to disbursement during 2004 and 2005.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, 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.

Springfield Township
 Gallia County, Ohio
 Notes to the Financial Statements
 For the Years Ended December 31, 2005 and 2004

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$50,000	0.00%
General Obligation Notes	\$33,865	3.96%

The Ohio Public Works Commission (OPWC) Loan was an interest-free \$80,000 loan for assistance with the Charolais Lake Project. The loan is collateralized with the Township's local government fund monies due from Gallia County.

The General Obligation Note of \$48,063 with a 3.96% interest rate was issued to purchase a tractor and mower for use along township roads and properties. The note is collateralized by the tractor and mower and will be repaid from the Gasoline Tax Fund.

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

Year Ending December 31:	OPWC Loan	G.O. Note	Total
2006	\$ 10,000	\$ 10,626	\$ 20,626
2007	10,000	10,626	\$ 20,626
2008	10,000	10,626	\$ 20,626
2009	10,000	5,226	\$ 15,226
2010	10,000	-	\$ 10,000
Total	<u>\$ 50,000</u>	<u>\$ 37,104</u>	<u>\$ 87,104</u>

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 post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, 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, 2005.

7. RISK MANAGEMENT

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member 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 occurrence, including loss adjustments expense. 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.

Springfield Township
Gallia County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2005

7. RISK MANAGEMENT (Continued)

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

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

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

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31, 2005 and 2004: Most recent information available:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment.

8. RESTATEMENT OF FUND BALANCE

The Decemeber 31, 2003 fund balance of the special revenue fund has been restated due to an accounting error made as follows:

	<u>Special Revenue</u>
12/31/03 Fund Balance	\$ 69,934
Restatement Amount	2,597
12/31/03 Restated Fund Balance	<u>\$ 72,531</u>

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Springfield Township
1999 Duly Road
Bidwell, Ohio 45614

We have audited the financial statements of the Springfield Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004 and have issued our report thereon dated October 6, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and responses as item 2005-003.

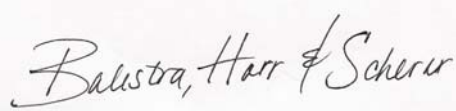
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being 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 the reportable condition described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 and 2005-002.

Springfield Township
Gallia County
Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Required by
Government Auditing Standards
Page 2

This report is intended for the information and use of the audit committee, management, 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 cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

October 6, 2006

**SPRINGFIELD TOWNSHIP
GALLIA COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Noncompliance Citation

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

It was noted that expenditures exceeded appropriations at December 31, 2005 in the FEMA fund by \$10,687.

The Township Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Township Clerk may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) 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 appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time 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.

Amount 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 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.

**SPRINGFIELD TOWNSHIP
GALLIA COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-002 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.41(D) (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.

3% of the expenditures tested in 2004 and 15% of the expenditures tested in 2005 were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

The Township should certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2005-003

Material Weakness – General Operating Account Monthly Reconciliations

Accurate monthly reconciliations of the ending bank account balance to the Township's ending book balance were not performed for all months during the audit period by the Township Clerk for the General Operating Account. A proof of cash was performed for 2004 and 2005. While performing the proof of cash, we noted receipts which were not timely posted to the Township's accounting system and receipts which were not timely deposited into the Township's bank account.

This resulted in misrepresented financial statements, inaccurate book balances and cumbersome reconciliation procedures. 37 reconciling items were required to bring the financial statements into balance. The Township's financial statements were out of balance by a net amount of \$6,153 and \$20,128 for 2004 and 2005, respectively. In addition, checks were outstanding for longer than six months in the Township's outstanding check listing.

**SPRINGFIELD TOWNSHIP
GALLIA COUNTY**

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

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

FINDING NUMBER 2005-003 (Continued)

Material Weakness – General Operating Account Monthly Reconciliations (Continued)

We recommend that accurate reconciliations of the Township's bank accounts be performed by the Township Clerk on a monthly basis. Accurate listings of outstanding checks and deposits should be maintained and any reconciling items should be documented and investigated to prevent unsupported adjustments from the recorded. We further recommend that the monthly bank reconciliations be reviewed and approved by the Board of Trustees as part of their monthly Board Meetings and signed or initialed by the Board President indicating Board review and approval.

**SPRINGFIELD TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Ohio Rev. Code Section 5705.41(B) – expenditures exceeding appropriations.	No	Not Corrected. Reissued as Finding 2005-001.
2003-002	Ohio Rev. Code Section 5705.41(D) – certification of purchase orders.	No	Not Corrected. Reissued as Finding 2005-002.
2003-003	Material Weakness – General Operating Account Monthly Reconciliations.	No	Not corrected. Reissued as Finding 2005-003.

**SPRINGFIELD TOWNSHIP
GALLIA COUNTY**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2005 AND 2004**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2005-001	The Township Clerk intends to monitor expenditures versus appropriations throughout the year.	December 31, 2006	Pamela Riley, Township Clerk
2005-002	The Township Clerk intends to begin certifying funds prior to incurring obligations.	December 31, 2006	Pamela Riley, Township Clerk
2005-003	The Township Clerk is striving to perform monthly reconciliations.	December 31, 2006	Pamela Riley, Township Clerk



Mary Taylor, CPA
Auditor of State

SPRINGFIELD 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
JANUARY 25, 2007**