



**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004



Mary Taylor, CPA
Auditor of State

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Non-Expendable Trust Fund - For the Year Ended December 31, 2005.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	7
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Non-Expendable Fund - For the Year Ended December 31, 2004.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	30

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

Springfield Township
Clark County
27777 Springfield Xenia Road
Springfield, Ohio 45506

To the Board of Trustees:

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

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

Mary Taylor, CPA
Auditor of State

January 18, 2007

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Springfield Township
Clark County
27777 Springfield Xenia Road
Springfield, Ohio 45506

To the Board of Trustees:

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

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 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 and reserves for encumbrances of the Township, as of December 31, 2005 and 2004 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 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 January 18, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

January 18, 2007

**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, 2005**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$6,771	\$1,413,138	\$279,631	\$1,699,540
Intergovernmental	287,695	376,379	56,746	720,820
Special Assessments		4,556		4,556
Charges for Services		123,950		123,950
Licenses, Permits, and Fees		15,685		15,685
Earnings on Investments	156,164	3,553		159,717
Other Revenue	13,877	21,982	916	36,775
	<u>464,507</u>	<u>1,959,243</u>	<u>337,293</u>	<u>2,761,043</u>
Cash Disbursements:				
Current:				
General Government	841,418	24,154		865,572
Public Safety		666,312	105,272	771,584
Public Works	38,300	758,606		796,906
Health		211,714		211,714
Conservation - Recreation		60,414		60,414
Miscellaneous			29,857	29,857
Debt Service:				
Redemption of Principal	58,333	12,145		70,478
Interest and Fiscal Charges	560	1,747	16,193	18,500
Capital Outlay	8,272	316,407	1,022,017	1,346,696
	<u>946,883</u>	<u>2,051,499</u>	<u>1,173,339</u>	<u>4,171,721</u>
Total Receipts (Under) Disbursements	<u>(482,376)</u>	<u>(92,256)</u>	<u>(836,046)</u>	<u>(1,410,678)</u>
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Other Proceeds from Sale of Public Debt			2,505,874	2,505,874
Other Sources		22,265		22,265
Other Uses			(11,607)	(11,607)
		<u>22,265</u>	<u>2,494,267</u>	<u>2,516,532</u>
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(482,376)	(69,991)	1,658,221	1,105,854
Fund Cash Balances, January 1	<u>4,004,108</u>	<u>1,104,448</u>	<u>1,308,801</u>	<u>6,417,357</u>
Fund Cash Balances, December 31	<u><u>\$3,521,732</u></u>	<u><u>\$1,034,457</u></u>	<u><u>\$2,967,022</u></u>	<u><u>\$7,523,211</u></u>
Reserve for Encumbrances, December 31		<u><u>\$8,700</u></u>		<u><u>\$8,700</u></u>

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

**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, 2005**

	<u>Nonexpendable Trust Fund</u>
Operating Cash Receipts:	
Earnings on Investments	\$527
Operating Cash Disbursements:	
Capital Outlay	<u>8,962</u>
Net Receipts (Under) Disbursements	(8,435)
Fund Cash Balance, January 1	<u>24,788</u>
Fund Cash Balance, December 31	<u><u>\$16,353</u></u>

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

**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, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$6,491	\$1,425,554	\$295,673	\$1,727,718
Intergovernmental	355,981	339,752	71,664	767,397
Special Assessments		4,610		4,610
Charges for Services		73,948		73,948
Licenses, Permits, and Fees	72,326	20,457		92,783
Earnings on Investments	151,179	4,047		155,226
Other Revenue	6,767	3,381		10,148
	<u>592,744</u>	<u>1,871,749</u>	<u>367,337</u>	<u>2,831,830</u>
Total Cash Receipts				
	<u>592,744</u>	<u>1,871,749</u>	<u>367,337</u>	<u>2,831,830</u>
Cash Disbursements:				
Current:				
General Government	598,137	28,578		626,715
Public Safety		686,515	13,546	700,061
Public Works	38,302	634,015		672,317
Health		213,886		213,886
Conservation - Recreation		99,394		99,394
Debt Service:				
Redemption of Principal	30,000	38,333		68,333
Interest and Fiscal Charges	376	1,020		1,396
Capital Outlay	385,729	243,722	46,051	675,502
	<u>1,052,544</u>	<u>1,945,463</u>	<u>59,597</u>	<u>3,057,604</u>
Total Cash Disbursements				
	<u>1,052,544</u>	<u>1,945,463</u>	<u>59,597</u>	<u>3,057,604</u>
Total Receipts Over/(Under) Disbursements	<u>(459,800)</u>	<u>(73,714)</u>	<u>307,740</u>	<u>(225,774)</u>
Other Financing Receipts and (Disbursements):				
Other Sources	60,820	748		61,568
Other Uses			(1,411)	(1,411)
	<u>60,820</u>	<u>748</u>	<u>(1,411)</u>	<u>60,157</u>
Total Other Financing Receipts/(Disbursements)				
	<u>60,820</u>	<u>748</u>	<u>(1,411)</u>	<u>60,157</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(398,980)</u>	<u>(72,966)</u>	<u>306,329</u>	<u>(165,617)</u>
Fund Cash Balances, January 1	<u>4,403,088</u>	<u>1,177,414</u>	<u>1,002,472</u>	<u>6,582,974</u>
Fund Cash Balances, December 31	<u>\$4,004,108</u>	<u>\$1,104,448</u>	<u>\$1,308,801</u>	<u>\$6,417,357</u>
Reserve for Encumbrances, December 31		<u>\$8,700</u>		<u>\$8,700</u>

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

**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, 2004**

	<u>Nonexpendable Trust Fund</u>
Operating Cash Receipts:	
Earnings on Investments	\$277
Operating Cash Disbursements:	
Capital Outlay	<u>2,027</u>
Net Receipts (Under) Disbursements	(1,750)
Fund Cash Balance, January 1	<u>26,538</u>
Fund Cash Balance, December 31	<u><u>\$24,788</u></u>

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

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Springfield Township, Clark 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, fire protection and emergency medical services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit, U.S. Treasury Notes and common stock at cost. Money market mutual funds are recorded at share values the mutual funds report.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Emergency Medical Service Operating Fund – Fund was voted on and approved by residents of Springfield Township in 2001. Provides funding for the 24/7 EMS services within Springfield Township (2 mil.)

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

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

Firehouse Construction Fund - The Township issued certificates of participation to build a new firehouse and township hall.

Fire Equipment Levy Fund – Voted property tax funds for capital equipment and facilities for fire protection services. (1 mil)

4. Fiduciary Funds (Trust and Agency Funds)

These funds 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 Bequest 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.

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.

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

F. Property, Plant, and Equipment

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

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$94,748	\$242,997
Certificates of deposit	878,099	588,972
Total deposits	972,847	831,969
Money Market Mutual Funds	2,056,392	98,018
Federal Home Loan Mortgage Corp Notes	2,007,325	2,007,325
Federal National Mortgage Assoc Notes	2,503,000	3,004,833
Federal Home Loan Bank Notes		500,000
Total investments	6,566,717	5,610,176
Total deposits and investments	\$7,539,564	\$6,442,145

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

At December 31, 2004, \$9,717 of deposits were not insured or collateralized, contrary to Ohio law. At December 31, 2005, \$6,958 of deposits were not insured or collateralized, contrary to Ohio law.

Investments: Mutual funds are not evidenced by securities that exist in physical or book-entry form. Government agency notes 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, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$558,768	\$464,507	(\$94,261)
Special Revenue	1,739,065	1,981,508	242,443
Capital Projects	307,267	2,843,167	2,535,900
Fiduciary	700	527	(173)
Total	\$2,605,800	\$5,289,709	\$2,683,909

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,033,300	\$946,883	\$3,086,417
Special Revenue	3,186,987	2,060,199	1,126,788
Capital Projects	1,612,900	1,184,946	427,954
Fiduciary	15,000	8,962	6,038
Total	<u>\$8,848,187</u>	<u>\$4,200,990</u>	<u>\$4,647,197</u>

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$726,731	\$653,564	(\$73,167)
Special Revenue	1,773,396	1,872,497	99,101
Capital Projects	289,777	367,337	77,560
Fiduciary	2,500	277	(2,223)
Total	<u>\$2,792,404</u>	<u>\$2,893,675</u>	<u>\$101,271</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,876,231	\$1,052,544	\$3,823,687
Special Revenue	3,009,647	1,954,163	1,055,484
Capital Projects	1,436,100	61,008	1,375,092
Fiduciary	7,600	2,027	5,573
Total	<u>\$9,329,578</u>	<u>\$3,069,742</u>	<u>\$6,259,836</u>

4. PROPERTY TAX

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

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
CLARK COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Grinder lease purchase	\$8,333	2.40%
Crawler Dozer lease purchase	28,580	2.98%
Springfield Township COP Series 2005F	2,538,000	3% to 4.25%
Total	\$2,574,913	

Amortization of the grinder and dozer loans, including interest, is scheduled as follows:

Year ending December 31:	Crawler Dozer		
	Grinder Lease Purchase	Lease Purchase	Total
2006	\$8,492	\$13,061	\$21,553
2007		16,925	16,925
Total	\$8,492	\$29,986	\$38,478

Principal Amortization Schedule for the \$2,538,000 Certificates of Participation, Series 2005F is scheduled as follows:

Term Certificates Maturing on December 1 In the following years:	Principal Amounts Payable on December 1 in The corresponding years:	Interest Rate
December 1, 2007	\$ 182,000	3.000%
December 1, 2009	193,000	3.200%
December 1, 2011	205,000	3.400%
December 1, 2013	220,000	3.600%
December 1, 2015	236,000	3.800%
December 1, 2017	254,000	4.000%
December 1, 2019	273,000	4.000%
December 1, 2021	300,000	4.100%
December 1, 2023	325,000	4.125%
December 1, 2025	350,000	4.250%
Total	\$2,538,000	

The Certificates maturing prior to December 1, 2015 are not subject to optional redemption prior to maturity. Unless previously redeemed, the Certificates maturing on or after December 1, 2016 are also subject to optional redemption from payments of the Optional Prepayment Price under the Lease, in part, on any Interest Payment Date or, in whole, on any date that is a Business Day at the price set forth below (expressed as a percentage of the principal amount outstanding), plus accrued interest, if any, to the redemption date:

Date	Price
December 1, 2015 and thereafter	100%

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

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

6. RETIREMENT SYSTEMS

The Township's employees 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. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

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

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. 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 members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

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

7. RISK MANAGEMENT (Continued)

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 reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
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	(1,406,031)	(543,176)
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. The Township's share of these unpaid claims is approximately \$172,340.

The Township provided group insurance for full-time employees including medical, life, disability and vision.

8. CONTINGENT LIABILITIES

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

9. SUBSEQUENT EVENTS

In July, 2006, the Township issued \$1,483,000 in Certificates of Participation, series 2006B for the following projects:

- \$580,000 for a snorkel truck
- \$706,000 for building acquisition and renovation
- \$197,000 for an ambulance

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

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

10. NONCOMPLIANCE

The Township did not routinely comply with requirements regarding certification of funds, allocation of interest among funds, resolution to authorize tax levies, transfers of money between funds, negative cash fund balances, accurate preparation of tax forms, compensation of the fiscal officer, adoption of a tax budget, adoption of appropriation measure, estimated receipts exceeding actual receipts, appropriations exceeding estimated resources, expenditures exceeding appropriations, designation of depositories, investment policy, and collateral for deposits.



Mary Taylor, CPA

Auditor of State

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

Springfield Township
Clark County
27777 Springfield Xenia Road
Springfield, Ohio 45506

To the Board of Trustees:

We have audited the financial statements of the Springfield Township (the Township) as of and for the years ended December 31, 2005 and 2004 and have issued our report thereon dated January 18, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine 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 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 2005-017 through 2005-024.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we also consider items 2005-017 through 2005-020 and 2005-022 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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-016.

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

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

Mary Taylor, CPA
Auditor of State

January 18, 2007

**SPRINGFIELD TOWNSHIP
CLARK COUNTY**

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

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

FINDING NUMBER 2005- 001

The Ohio Supreme Court case, *State ex rel. McClure v. Hagerman, 155 Ohio St. 320(1951)*, provides that expenditures made by a governmental unit should serve a public purpose. As described in Auditor of State Bulletin 2003-005, Attorney General Opinion 82-006, citing McClure, provides guidance as to what may be construed as a public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is to be for the general good of all inhabitants. As stated in McClure, "(g)enerally, a public purpose has for its objective the promotion of the public health, safety, morals, general welfare, security, prosperity, and contentment of all the inhabitants ..." Id at 325. Second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

Springfield Township made various expenditures not serving a public purpose, as follows:

1. Based on invoices available for inspection, payment to AT&T for twenty-four telephone calls made by Kelly Kouse-Murley to Japan between October 24, 2005 and November 10, 2005 totaling \$7,731.70. Partial repayments have been made via township receipts #10922, 10931 and 314668 totaling \$550. She was indicted in the Clark County Court of Common Pleas during October 2006, relative to this matter.

2. Based on invoices available for inspection, payments to AT&T for calls made by Jason Smedley including eleven calls to Glendale Texas in the amount of \$108.29, one hundred and eleven calls to Hammond, Indiana in the amount of \$581.91, eight calls to Fayette, Alabama in the amount of \$58.31, two calls to Van Wert, Ohio in the amount of \$3.49, two calls to Sisseton, South Dakota in the amount of \$13.09, plus applicable taxes of \$62.31 between June 9, 2006 and July 21, 2006 totaling \$827.40. A partial repayment of \$217.00 was made on September 15, 2006 via Township receipt #10913 and the remainder was repaid on February 8, 2007 via receipt # 11005.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies being illegally expended is hereby issued in favor of Springfield Township, Clark County, in the amount of \$7,181.70 against Kelly Kouse-Murley

Additionally, the Township should develop a policy and implement controls regarding the use of Township phones for personal use, including a detailed review of expenses prior to payment of the bills. This policy should be distributed to and acknowledged by all potential users.

Client Response: No written response received.

FINDING NUMBER 2005- 002

Ohio Rev. Code 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 lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- 1. "Then and Now" certificate:** If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 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 Township.
- 2. Blanket certificate:** Fiscal officers may prepare "blanket" certificates for a sum not exceeding an amount established by resolution or ordinance adopted by members of the legislative authority against any specific line item account over a period not running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- 3. Super Blanket certificate:** The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Clerk did not properly certify the availability of funds prior to obligation for 93% of purchases tested. Also, the Clerk did not use then and now certificates or blanket certificates. Failure to properly certify the availability of funds can result in misappropriation of monies and negative cash 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 that Township funds will exceed budgetary spending limitations, the Township's Clerk certify, if correct, that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, "then and now" certification should be used. The Township Fiscal Officer should certify all purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. This comment was issued in the prior audit of the Township.

Client response: The Township is in the process of employing a person to assist the fiscal officer to take place in February 2007. One project is to determine who the vendors are and who is allowed to place orders with vendors. The Township is considering a P.O. system for all non-regular expenses.

FINDING NUMBER 2005- 003

Ohio Rev. Code Section 135.21 states in pertinent part, 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.

Interest received during 2004 was incorrectly distributed to the Cemetery Operating Fund. The Township Clerk should credit interest only to the appropriate funds as provided above. The accompanying financial statements and records of the Township have been adjusted to properly reflect interest distributions. This comment was issued in the prior audit of the Township

Client response: The posting to Cemetery Operating was done prior to receipt of the 2002-2003 audit and adjustments required by the audit.

FINDING NUMBER 2005- 004

Ohio Rev. Code Section 5705.34 states in part, 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 the first day of October, in each year, unless a later date is approved by the tax commissioner.

The Board of Trustees did not authorize the necessary tax rates for 2005 and 2004. 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. This comment was issued in the prior audit of the Township.

Client response: While the Trustees were informed of the resolution, the fiscal officer did not enter it into the minutes of the Township.

FINDING NUMBER 2005- 005

Ohio Rev. Code Sections 5705.14 to 5705.16 allow for money to be transferred from the General Fund to any other fund of the subdivision by resolution of the taxing authority.

On December 31, 2004, \$266,002 was transferred from the General Fund to the following funds: Road and Bridge - \$246,872; Zoning - \$19,118; and Health Levy - \$12. On December 31, 2005, \$114,335 was transferred from the General Fund to the following funds: Road and Bridge - \$27,106; Road District Levy - \$76,979; and Zoning - \$10,250.

Additionally, several transfers were made within the Fire District and Emergency Services Levy Funds. The Township had levy funds for these activities in which revenue was posted, but used subsidiary funds to record expenditures for the three fire stations and included this activity as transfers on its records, which erroneously inflated revenue and expenditures.

No resolutions approving these transfers was recorded in the minutes, procedures should be developed and implemented to require Trustees approval of all transfers between funds prior to the transfers being posted. Also, transfers should only be made among eligible funds and intra-fund transfers should be eliminated for reporting purposes. This comment was issued in the prior audit of the Township

These transfers were eliminated from the accompanying financial statements.

Client response: All transfers were made to balance the effected accounts as cash received did not all the amounts expended.

FINDING NUMBER 2005- 006

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 balance indicates that money from one fund was used to cover the expenses of another fund.

On December 31, 2005 and 2004, the following funds had negative fund balances:

<u>Funds</u>	<u>Fund Balances December 31, 2005</u>	<u>Fund Balances December 31, 2004</u>
Road & Bridge	(313,208)	(245,862)
Road District	(67,943)	
Zoning	(27,391)	(18,939)

Procedures should be developed and implemented to monitor fund balances to prevent overspending of individual fund balances. In the event additional funding is required, the Township should consider the use of allowable transfers or advances, or reducing disbursements until funds are available. This comment was issued in the prior audit of the Township

Client response: As reported to the Trustees, additional spending within those accounts caused the affected funds to overspend. The Fiscal Officer provided the Trustees with cash balance by fund monthly as well as other reports.

FINDING NUMBER 2005- 007

26 CFR Section 1.6041-2 (Internal Revenue Regulations) requires the accurate reporting of wage income to the IRS using the W-2 form. In seven instances totaling \$14,501, W-2's of township employees did not agree with the payroll ledgers. This resulted in employees being liable for taxes on income not earned/received, and potential penalties/fines to the Township from the IRS and other taxing entities. The Township should reevaluate its payroll process and implement controls that provide for accurate reporting and timely submission. Payrolls and the related data should be reviewed by someone independent of the payroll process as a means of improving accuracy and detected errors.

Client response: The W-2 and W-3 and 941 reports to the IRS were correct when sent to the IRS.

FINDING NUMBER 2005- 008

Ohio Rev. Code Section 507.09 (C) states, in pertinent part, that the compensation of the township fiscal officer shall be paid in equal monthly payments. The township fiscal officer received staggered amounts throughout 2004 and 2005 and received a large payment in December in both years to complete his compensation. To comply with Ohio Revised Code and provide for a uniform use of resources, the township fiscal officer should receive equal monthly payments for his services.

Client response: Compensation of the fiscal officer has been paid on a monthly basis for 22 years and not mentioned in prior audits. All compensation is recorded in the reorganization meeting.

FINDING NUMBER 2005- 009

Ohio Rev. Code Section 5705.28 states that each year the taxing authority must adopt a tax budget for the succeeding fiscal year on or before July 15th. The Board of Trustees did not adopt a tax budget during 2005. The Board of Trustees should adopt a tax budget for each year and this action should be recorded in the minutes of Township meetings.

Client response: Trustees did accept the tax budget, with an extension in 2005.

FINDING NUMBER 2005- 010

Ohio Rev. Code Section 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. This action should be formally taken by the Board to provide authorization for expenditure of Township funds, as well as a means of monitoring Township financial activity. The Board of Trustees did not formally approve appropriations for either 2004 or 2005. The Board should annually review appropriations as part of the budgetary process and perform periodic reviews throughout the year to determine the necessity of any amendments. Additionally, all approved appropriations should be formally documented via resolution and be included in the minutes.

Client response: Appropriations are completed in the reorganization meeting an permanent appropriations prior to March 31 of each year and then filed by the fiscal officer with the County Auditor. The fiscal officer will document in the future.

FINDING NUMBER 2005- 011

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue will be greater or less than the amount in the current certificate of estimated resources. An increased amended certificate must be obtained if the legislative authority intends to appropriate and expend excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

For 2005, estimated receipts exceeded actual receipts in the following funds:

Fund	Estimated Receipts	Actual Receipts	Variance
General	\$558,768	\$464,507	(\$ 94,261)
Zoning	26,000	15,685	(10,315)
Health	232,512	211,714	(20,798)
Permissive Motor Vehicle :License	45,000	36,717	(8,283)

For 2004, estimated resources exceeded actual resources in the following funds:

Fund	Estimated Receipts	Actual Receipts	Variance
General	\$726,731	\$653,564	(\$ 73,167)
Motor Vehicle License	31,500	29,861	(1,639)
Cemetery	25,000	14,575	(10,425)
Fire District	242,919	237,624	(5,295)
EMS Levy	91,974	79,496	(12,478)
Health	231,284	213,886	(17,398)
Cemetery Bequest	2,500	277	(2,223)

Instances of estimated receipts exceeding actual receipts allow for over appropriating and overspending fund assets. The Township should develop and implement procedures to routinely monitor the entire budgetary cycle and make revisions to budgeted figures or actual financial activity as needed.

Client response: The fiscal officer will continue to adjust Certificates as funds are deposited or notice that additional funds become known. Some of these issues have been directly affected by interest not being entered. The fiscal officer will watch amounts.

FINDING NUMBER 2005- 012

Ohio Rev. Code Section 5705.39 requires that the total appropriations from each fund shall not exceed the total of estimated revenue available for expenditures. During 2004 and 2005, appropriations exceeded estimated resources for the following funds:

Year	Funds	Appropriations	Estimated Resources	Variances
2004	Fire Equipment	\$940,000	\$784,933	(\$155,067)
2005	EMS Operating	903,200	778,219	(124,981)

Excessive appropriations could lead to the making of expenditures or the incurrence of obligations in excess of actual resources. The Board of Trustees should monitor compliance with Ohio Revised Code Section 5705.39 and not allow appropriations which exceed estimated resources. Additionally, routine comparisons of budgeted versus actual activity should occur throughout the year to provide information for budgetary amendments and/or actual spending.

Client response: The fiscal officer entered the wrong amounts based upon prior years income. The fiscal officer will watch this will more caution.

FINDING NUMBER 2005- 013

Ohio Rev. Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated. On December 31, 2004, budgetary expenditures exceeded appropriations for the following funds:

Funds	Appropriations	Budgetary Expenditures	Variances
Road & Bridge	\$253,048	\$366,952	(\$113,904)
Zoning Fund	25,715	28,562	(2,847)
Health Fund	206,000	213,886	(7,886)

On December 31, 2005, budgetary expenditures exceeded appropriations for the following funds:

Funds	Appropriations	Budgetary Expenditures	Variances
Road & Bridge	\$275,000	\$380,560	(\$105,560)
Road District	245,600	332,355	(86,755)
Firehouse Fund	0	758,916	(758,916)

Spending more than appropriated allows for the occurrence of negative fund balances. The Township should develop and implement procedures for independent review of the entire budgetary cycle to provide for monitoring of budgeted and actual activity and allow for budgetary amendments or changes in actual financial activity.

Client response: Many of the issues stated were issues of and from the construction of and purchase connected to the new facility at 27777 Springfield Xenia Road. The Road District issue occurred when a Trustee ordered additional paving when the fiscal officer had reported the funds were expended.

FINDING NUMBER 2005- 014

Ohio Rev. Code Section 135.12 requires each governing board to meet every five years on the regularly scheduled meeting date of the month next preceding the date of expiration of its designation of depositories for the purpose designating public depositories for the next five years. The Township had designated Key Bank as a depository of its active, interim and inactive funds for the period January 1, 2001 to December 31, 2002 but this designation had expired. There was no resolution in the Trustees' minutes designating any bank as a Township depository for active, interim or inactive deposits after December 31, 2002. Failure to designate depositories prohibits the Clerk from doing business with any bank. The Trustees should review the available depositories and then pass a resolution designating which bank(s) the Township wishes to do business with for active, interim or inactive Township funds during the next five years.

Client response: An RFP has been sent to area banks for said services and an award has been made for interim funds.

FINDING NUMBER 2005- 015

Ohio Rev. Code Section 135.14 (O)(1) states, in part, that investments cannot be made unless there is a written investment policy, approved by the treasurer or governing board on file with the Auditor of State, with the following exception:

- If a written investment policy is not on file with the Auditor of State, the Township Clerk is permitted to invest only in interim deposits, STAR Ohio, or no-load money market mutual funds.

The investment policy must be signed by:

- All entities conducting investment business with the Township Clerk (except the Treasurer of State).
- All brokers, dealers and financial institutions, initiating transactions with the Township Clerk by giving advice or making investment recommendations.
- All broker, dealers and financial institutions executing transactions initiated by the Township clerk.

The Township had adopted an investment policy on September 25, 2001 however, there was no evidence that the policy had been filed with the Auditor of State or that it was signed by all brokers, dealers and financial institutions.

The investment policy should be signed by the Township Trustees and all brokers, dealers and financial institutions to document the instruments the Township will invest in, and be filed with the Auditor of State as required by the above code section.

Client response: This document was re-approved in early 2006 and sent to the Auditor of State. All investments held in the accounts of the Township are in allowed investments.

FINDING NUMBER 2005- 016

Ohio Rev. Code Sections 135.18 and 135.181 state, in pertinent part, that the Township Clerk must require all depositories to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, specific pledged securities or a pool of securities.

**FINDING NUMBER 2005- 016
(Continued)**

The Township had deposits at the end of each year in excess of FDIC coverage, without securing evidence of the required collateral, which could potentially jeopardize the Township's deposits. The Township must require all banks to provide additional security to protect Township funds when the deposits exceed FDIC coverage and this coverage should be reviewed routinely to provide for its adequacy.

Client response: The fiscal officer provided said form for one bank. The fiscal officer also was under the impression that all other deposit accounts were under the FDIC limits of \$100,000.00.

FINDING NUMBER 2005- 017

Cash Reconciliations

Numerous errors were noted in the cash reconciliations including:

1. The Township received debt proceeds of \$2.5 million for a new township hall and firehouse which was not recorded on the Township books. At December 31, 2005, the balance left in the construction and debt reserve bank accounts was \$1,759,940 with \$12,982 belonging to the General Fund as interest income and \$1,746,958 belonging to Township hall and firehouse building fund.
2. On the December 31, 2005 cash reconciliation, outstanding checks were listed as \$73,885 with no list to support this amount. We had to reconstruct the outstanding check list and also, did a proof of cash for each month of 2005. This resulted in increasing the outstanding check list to \$103,432.
3. Bank service charges were not recorded.
4. Duplicate payments were returned by the vendors, but no entry was made to void the checks, resulting in expenditures being overstated in the amount of \$ 5,702.
5. Fifty checks written during January, 2005, were recorded during December, 2005, however the amounts posted did not agree with the amounts paid by the bank.
6. Five January, 2005, checks were paid by the bank but never recorded on the books.

Additionally, during 2005, the investment earnings were not posted for Key Bank mutual fund sweep, Security National Bank and WesBanco accounts, and the investment earnings for Key Bank CD and Saver Money Market accounts were understated.

The Township's records did not reconcile to the bank due to the above errors. No monitoring of cash reconciliations existed. The erroneous and untimely reconciliations did not present useful information for decision making regarding the township's finances and this situation was also reported in the prior audit of the Township. Adjustments were made to correct the above errors on the financial statements and records of the Township.

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. Additionally, the Township should develop internal control procedures that will require accurate and timely monthly bank reconciliations as a means of providing useable information for the Trustees in making financial decisions. Accurate monthly reconciliations should be presented to the Trustees for their detailed review. Independent personnel (separate from the financial recording) should periodically prepare the monthly reconciliation or perform and document detailed reviews. A similar comment was made in the prior audit of the Township.

Client response: The recording of interest will be done on a monthly basis for those accounts that provide statements, and on others as statements are requested. The plan is to provide monthly reconciliations to the trustees.

FINDING NUMBER 2005- 018

Posting of Financial Activity

The financial statements should reflect an accurate account of the Township's activity. Numerous misclassifications of revenue and expenditures were made to the Township's 2005 and 2004 financial statements and records, including the following as examples:

- \$85,100 in tax revenue during 2005 and \$86,134 tax revenue during 2004 was posted as intergovernmental revenue in the EMS equipment fund;
- \$35,767 intergovernmental revenue during 2005 and \$42,460 intergovernmental revenue during 2004 was posted as license revenue in the permissive motor vehicle license fund;
- The Township only posted charges for fire, EMS and cemetery services once a year;
- \$58,893 debt service principal and interest expenditures during 2005 and \$30,376 debt service principal and interest expenditures during 2004 was posted as capital outlay expenditures in the General Fund.

Inaccurate financial reporting impeded the ability of the Trustees to make accurate 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 independent personnel. This comment was issued in the prior audit of the Township.

FINDING NUMBER 2005- 019

Notes to the Financial Statements

An integral part of the reporting process is the preparation of accurate Notes to the Financial Statements. Numerous errors were noted in the draft notes prepared by the Township Clerk including:

- Note #2 on equity in pooled cash and investments did not agree with the financial statements;
- Note #3 on budgetary activity, the actual receipts and budgetary expenditures did not agree with the financial statements. The appropriation authority and budgeted receipts did not agree with the approved appropriations and certificate of estimated receipts; and
- Notes on retirement systems, risk management and contingent liabilities were missing.

Audit adjustments were made to adjust all notes to the financial statements. The notes are an integral part of the financial statements. They provide management and taxpayers with additional information to explain items in the financial statements. The Township should adopt and implement procedures to provide that all required disclosures are included and agree with the financial statements.

FINDING NUMBER 2005- 020

Investment Earnings

Investment earnings were not posted for Key Bank mutual fund sweep, Security National Bank and WesBanco during 2005. Additionally, investment earnings for Key Bank Certificate of Deposit and Saver Money Market accounts were understated \$5,702 and investment earnings were only posted at the end of each year. Audit adjustments were made to correct the financial statements.

Failure to post interest revenue to the ledgers in a timely manner understated the monthly revenue reports submitted for the Trustees use in decision making and hampered 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. A similar comment was made in the prior audit of the Township.

Client response: Changes in the reconciliation process should help the Township to make more accurate and timely accounting of funds received.

FINDING NUMBER 2005- 021

Emergency Medical Services Billings and Service Organization

The Township delegated emergency medical services (EMS) billing and collection services to a third-party administrator. The Township prepared individual EMS run forms which were submitted to the service organization, in the name of the Township, for billing and collection. Payments were received directly by the Township and posted to the general ledger. However, the Township did not perform any reconciliation or monitoring of the amounts received versus the amounts submitted to be billed and collected. Additionally, the Township did not establish procedures to determine whether the service organization had sufficient controls in place and operating effectively to reduce the risk that these services have not been completely and accurately processed in accordance with the Township's contract.

The Township should develop and implement procedures to monitor the activity of the service organization's processing of the Township's EMS accounts for reasonableness. This procedure should provide assurance over the completeness and accuracy of billing and should reduce the risk of errors or omissions by the service organization. This may be accomplished by an annual audit of the service provider processing. Statement on Auditing Standards (SAS) No. 70 as amended, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations.

An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70, should provide the Township with an appropriate level of assurance that EMS billings are being processed in conformance with the contract. Such an audit has not been performed on the provider for the period.

The Township should consider specifying in their next contract with the third-party administrator that an annual Tier II SAS #70 audit report be performed and conducted in accordance with American institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective state. The Township should be provided a copy of the SAS 70 report timely and should review the report's content. If the third-party administrator refuses to provide a Tier II SAS 70 report, the Township should only contract with a third-party administrator that will provide such a report.

FINDING NUMBER 2005- 022

Non-Payroll Disbursements

Errors were noted in the Township's non payroll disbursement process. The Township paid:

- UAN fees totaling \$8,100 without having used the system for two years,
- Property taxes of \$19,023.12 on nine parcels of land that appear to qualify as tax exempt,
- OPERS payments were made late resulting in interest and penalties totaling \$1,393.
- \$26,554 for thirty-one duplicate payments. These payments were returned by the vendors to the Township.

These expenditures represent ineffective and inefficient use of Township and may allow the Township to make erroneous financial decisions. These were all done even though all required multiple signatures of officials on the checks for payment. The accompanying financial statements and records of the Township have been adjusted to properly reflect the duplicate payments.

The Township should develop effective expenditure controls, in addition to the multiple signatures on the checks already in place, to reduce the likelihood of error and provide for beneficial use of funds and greater accountability to its citizens.

Client response: The additional personnel should limit the double payments.

FINDING NUMBER 2005- 023

Posting of Estimated Revenue

Estimated revenue was not posted to the receipts journal and no monthly comparisons were made between estimated revenue and actual revenue. Lack of routine monitoring could permit a shortage of revenue to be undetected. The Board of Trustees should be provided this information to properly monitor financial activity and reduce appropriations or find other revenue sources when revenue shortages occur.

Client response: The estimated receipts are going to be recorded at same time appropriations are approved and recorded.

FINDING NUMBER 2005- 024

Township Clerk's Bond

The Township clerk's bond was for \$25,000 even though the Township had cash assets in excess of \$6,000,000. The Township should consider increasing the Township Clerk's bond to be more comparable to the amount of assets for which he is responsible as a means of protection against potential losses.

Client response: The fiscal officer has contacted the Township's insurance agent. The request was for \$500,000 and the cost was estimated at \$1,750 for a four year term.

**SPRINGFIELDTOWNSHIP
CLARK COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	ORC Sec. 5705.41(D) - Failure to certify funds for expenditure	No	Reissued as finding 2005-002
2003-002	ORC Sec. 135.21 - Interest was posted to incorrect funds	No	Reissued as finding 2005-003
2003-003	ORC Sec. 5705.34 - Trustees did not authorize tax levies	No	Reissued as finding 2005-004
2003-004	ORC Sec. 5705.14 - Transfers not approved by Trustees	No	Reissued as finding 2005-005
2003-005	ORC Sec. 5705.10 - Township had negative cash fund balances	No	Reissued as finding 2005-006
2003-006	Inaccurate cash reconciliations	No	Reissued as finding 2005-017
2003-007	Inaccurate posting of financial activity	No	Reissued as finding 2005-018
2003-008	Failure to post interest revenue timely	No	Reissued as finding 2005-020
2003-009	Failure to establish audit committee	Yes	



Mary Taylor, CPA
Auditor of State

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
MARCH 1, 2007**