



Mary Taylor, CPA
Auditor of State

CHESHIRE TOWNSHIP
GALLIA COUNTY

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Mary Taylor, CPA
Auditor of State

Cheshire Township
Gallia County
1908 Turkey Run Road
Cheshire, Ohio 45620

To the Board of Trustees:

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

Mary Taylor

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Auditor of State

November 2, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Cheshire Township
Gallia County
1908 Turkey Run Road
Cheshire, Ohio 45620

To the Board of Trustees:

We have audited the accompanying financial statements of Cheshire Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

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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, 2008 and 2007 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, 2008 and 2007, 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 Cheshire Township, Gallia County, Ohio, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 November 2, 2009, 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.



Mary Taylor, CPA
Auditor of State

November 2, 2009

**CHESHIRE 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, 2008**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General Fund</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 75,750	\$ 94,553	\$ 170,303
Intergovernmental	46,880	128,650	175,530
Earnings on Investments	539	194	733
Miscellaneous	3,158	77	3,235
	<u>126,327</u>	<u>223,474</u>	<u>349,801</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	105,303	1,891	107,194
Public Safety	10,500		10,500
Public Works	149	219,693	219,842
Health	11,551		11,551
	<u>127,503</u>	<u>221,584</u>	<u>349,087</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	(1,176)	1,890	714
Fund Cash Balances, January 1	<u>56,392</u>	<u>113,246</u>	<u>169,638</u>
Fund Cash Balances, December 31	<u>\$ 55,216</u>	<u>\$ 115,136</u>	<u>\$ 170,352</u>
Reserve for Encumbrances	<u>\$ 0</u>	<u>\$ 45,581</u>	<u>\$ 45,581</u>

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

**CHESHIRE 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, 2007**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General Fund</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 67,537	\$ 83,249	\$ 150,786
Intergovernmental	49,361	136,796	186,157
Earnings on Investments	832	300	1,132
Miscellaneous	1,498	485	1,983
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	119,228	220,830	340,058
Cash Disbursements:			
Current:			
General Government	100,968		100,968
Public Safety	11,151		11,151
Public Works		238,804	238,804
Health	13,913		13,913
Capital Outlay	464	58,995	59,459
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	126,496	297,799	424,295
Total Cash Receipts Over/(Under) Cash Disbursements	(7,268)	(76,969)	(84,237)
Fund Cash Balances, January 1	63,660	190,215	253,875
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$ 56,392	\$ 113,246	\$ 169,638
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Reserve for Encumbrances	\$ 426	\$ 520	\$ 946
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The notes to the financial statements are an integral part of this statement.

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Cheshire Township, Gallia County (the Township), as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection services. The Township contracts with the Village of Middleport to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority, a public risk sharing pool. Note 6 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

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

C. Deposits

The Township had one primary, interest bearing checking account during the audit period.

D. Fund Accounting

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

1. General Fund

The General Fund 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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

2. Equity in Pooled Deposits

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

	2008	2007
Demand deposits	\$170,352	\$169,638

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007, follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$138,675	\$126,327	(\$12,348)
Special Revenue	257,333	223,474	(33,859)
Total	\$396,008	\$349,801	(\$46,207)

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$177,119	\$127,503	\$49,616
Special Revenue	260,950	267,165	(6,215)
Total	\$438,069	\$394,668	\$43,401

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$152,414	\$119,228	(\$33,186)
Special Revenue	187,326	220,830	33,504
Total	\$339,740	\$340,058	\$318

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$200,933	\$126,922	\$74,011
Special Revenue	329,750	298,319	31,431
Total	\$530,683	\$425,241	\$105,442

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. Property Tax

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

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

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

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

5. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

6. 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 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

For an occurrence prior to January 1, 2006, 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

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Risk Management (Continued)

\$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 government.

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

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, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Risk Management (Continued)

also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$3,920. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2006	\$5,211
2007	\$4,139
2008	\$4,170

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



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*

Cheshire Township
Gallia County
1908 Turkey Run Road
Cheshire, Ohio 45620

To the Board of Trustees:

We have audited the financial statements of Cheshire Township, Gallia County, Ohio, (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated November 2, 2009, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2008-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding number 2008-003 is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated November 2, 2009.

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 2008-001 through 2008-002.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated November 2, 2009.

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

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



Mary Taylor, CPA
Auditor of State

November 2, 2009

CHESHIRE TOWNSHIP
GALLIA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

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.

Expenditures exceeded appropriations during the audit period as follows:

Fund	Year	Total Appropriations	Total Expenditures	Amount Expenditures Exceeded Appropriations
Road and Bridge	2007	\$216,250	\$235,283	(\$19,033)
Road and Bridge	2008	114,450	135,947	(21,497)

Failure to limit expenditures by appropriated amounts can lead to negative fund balances.

We recommend the Fiscal Officer and Board of Trustees monitor expenditures to ensure they are limited to appropriated amounts. We further recommend the Board of Trustees approve amendments to appropriations as needed.

Officials' Response: The Fiscal Officer will be more careful in monitoring appropriation amounts.

FINDING NUMBER 2008-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

CHESHIRE TOWNSHIP
GALLIA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)

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

FINDING NUMBER 2008-002 (Continued)

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

1. **“Then and Now” Certificate** – If the Fiscal Officer can certify that both at the time that the contract or order was made (“then”), and at the time that the Fiscal Officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket Certificate** – Fiscal Officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

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.

The Fiscal Officer did not certify the availability of funds prior to purchase commitments for 15 percent of the expenditures tested in 2007 and 33 percent of the expenditures tested in 2008 . The Township did not have sufficient internal control in place to ensure the certification of the availability of funds. Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

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

We recommend the Township Officials and employees obtain the Fiscal Officer’s certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Ohio Revised Code Section 5705.41(D) required to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials’ Response: We have talked with the state auditors and understand the process as a whole. We did not understand the exact process before. This will be corrected.

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-003

Material Weakness- Adjustments and Reclassifications

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

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

2007: The Fiscal Officer improperly posted receipts and expenditures as follows:

- The Township misstated beginning balances for 2007 due to various receipt and expenditure corrections made by the fiscal officer during 2007 being input into the UAN system as beginning balance adjustments rather than reductions in receipts or expenditures as needed. These errors resulted in required adjustments to the financial statements as follows:
 - Gasoline Tax- Beginning Balances decreased by \$195
 - Gasoline Tax- Public Works decreased by \$195
 - General Fund- Intergovernmental Receipts decreased by \$18,705
 - General Fund- Property and Other Tax Receipts decreased by \$68,950
 - Road and Bridge Fund- Property and Other Tax Receipts decreased by \$17,504
 - General Fund- Beginning- Balance increased by \$87,803
 - Road and Bridge Fund- Balance- increased by \$17,764
 - General Fund- Ending Balance- decreased by \$148
 - Road and Bridge Fund- Ending Balances decreased by \$7

- The Township incorrectly posted various expenditures by charging them to inappropriate funds and/or functions of the Township. These errors resulted in required adjustments to the financial statements as follows:
 - General Fund- General Government increased \$17,197
 - General Fund- Health increased \$3,624
 - General Fund- Other Financing Uses decreased \$50,511
 - Gasoline Fund- Public Works decreased \$11,900
 - Road and Bridge Fund- Public Works increased \$42,551
 - Road and Bridge Fund- Capital Outlay decreased \$961

- The Township did not record checks 6949, 6948, or 6953 into the UAN system despite issuing these checks, which cleared the bank statements of the Township bank account. The Township also failed to record a bank assessed charge of \$8.25 in the Township financial records. These errors resulted in required adjustments to the financial statements as follows:
 - General Fund- General Government Expenditures increased \$1,713
 - General Fund- Undesignated, Unreserved Fund Balance decreased \$1,713

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-003 (Continued)

Material Weakness- Adjustments and Reclassifications (Continued)

- The Township incorrectly posted several receipts to inappropriate Funds and/or programs. The Township also posted a portion of property tax receipts at net rather than gross affecting receipt and expenditures posted. The Township also double posted an intergovernmental receipt to the Gasoline Tax Fund for \$3,128. These errors resulted in required adjustments to the financial statements as follows:
 - General Fund- Property Tax Receipts decreased \$4,914
 - General Fund- Intergovernmental Receipts increased \$4,467
 - General Fund- Miscellaneous Receipts increased \$817
 - Motor Vehicle License Tax Fund – Intergovernmental Receipts increased \$247
 - Gasoline Tax Fund – Intergovernmental Receipts decreased \$3,128
 - Road and Bridge Fund – Property Tax Receipts increased \$113
 - Road and Bridge Fund – Intergovernmental Receipts decreased \$719
 - General Fund – General Government Expenditures increased \$11
 - Gasoline Tax Fund – Undesignated, Unreserved Fund Balance Decreased \$3,128

2008: The Fiscal Officer improperly posted receipts and expenditures as follows:

- Due to various adjustments required by audit in 2007 financial statements as stated above, the 2008 funds' Beginning Balances required the following adjustments:
 - General Fund- Beginning Balance increased \$28,485
 - Motor Vehicle License Tax Fund- Beginning Balance increased \$ 247
 - Road and Bridge Fund- Beginning Balance decreased \$42,189
 - Gasoline Tax Fund- Beginning Balance increased \$8,772
- The Township incorrectly posted various expenditures by charging them to inappropriate funds and/or functions of the Township. These errors resulted in required adjustments to the financial statements as follows:
 - General Fund- General Government increased \$15,088
 - General Fund- Health increased \$8,106
 - General Fund- Public Safety increased \$7,760
 - General Fund- Public Works increased \$149
 - General Fund- Other Financing Uses decreased \$45,169
 - Gasoline Fund- Public Works decreased \$2,450
 - Road and Bridge Fund- Public Works increased \$23,422
 - Road and Bridge Fund- Capital Outlay decreased \$6,000
 - Road and Bridge- General Government decreased \$906

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-003 (Continued)

Material Weakness- Adjustments and Reclassifications (Continued)

- The Township failed to record an end of year encumbrance for check 7849 despite the obligation occurring in 2008 without being paid until 2009. The Township also posted encumbrances to the General Fund and Gasoline Tax Fund which did not agree to approved purchase orders. These errors resulted in required adjustments to the financial statements as follows:
 - Road and Bridge Fund- Reserved for Encumbrance increased \$45,581
 - Road and Bridge Fund- Unreserved Fund Balance decreased \$45,581
 - General Fund- Reserve for Encumbrance decreased \$578
 - General Fund- Unreserved Fund Balance increased \$578
 - Gasoline Tax Fund- Reserved for Encumbrance decreased \$520
 - Gasoline Tax Fund- Unreserved Fund Balance increased \$520

- The Township incorrectly posted several receipts to inappropriate Funds and/or programs. The Township also incorrectly voided rollback and homestead receipts from the Township ledgers despite the amounts clearing the Township bank accounts. These errors resulted in required adjustments to the financial statements as follows:
 - General Fund- Property Tax Receipts increased \$30,112
 - General Fund- Intergovernmental Receipts decreased \$33,868
 - General Fund- Miscellaneous Receipts increased \$2,545
 - Gasoline Tax Fund- Intergovernmental Receipts increased \$4,047
 - Gasoline Tax Fund- Undesignated, Unreserved Ending Fund Balance increased \$4,047
 - Road and Bridge Fund- Property Tax Receipts increased \$48,851
 - Road and Bridge Fund- Undesignated, Unreserved Ending Fund Balance increased \$2,794
 - General Fund- Undesignated, Unreserved Ending Fund Balance Decreased \$1,211
 - Road and Bridge Fund - Intergovernmental Receipts decreased \$46,057

Lack of due care in posting correctly resulted in audit adjustments. The audited financial statements and the Township's accounting system reflect the above adjustments.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend that the Fiscal Officer review the Township Handbook for guidance on the correct line item to post various receipts and expenditures of the Township.

Officials' Response: We will use the Township Handbook when in doubt in the future.

**CHESHIRE TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Material non-compliance citation issued under Ohio Revised Code 5705.39 for Appropriations exceeding Estimated Resources and Ohio Revised Code 5705.36(A)(2) for failing to request amended certificates of estimated resources when conditions indicate large variances will occur	No	Partially Corrected. See comment in a separate letter issued to management.
2006-002	Material non-compliance citation issued under Ohio Revised Code 5705.41(D)(1) for improperly encumbering funds	No	See Finding Number 2008-001 in the accompanying Schedule of Findings



Mary Taylor, CPA
Auditor of State

CHESHIRE TOWNSHIP

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 17, 2009**