



**ROCHESTER TOWNSHIP
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009 & 2008



Mary Taylor, CPA
Auditor of State

**ROCHESTER TOWNSHIP
LORAIN COUNTY**

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Mary Taylor, CPA
Auditor of State

Rochester Township
Lorain County
52185 Griggs Road
Wellington, Ohio 44090

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 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 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

Mary Taylor, CPA
Auditor of State

December 13, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Rochester Township
Lorain County
52185 Griggs Road
Wellington, Ohio 44090

To the Board of Trustees:

We have audited the accompanying financial statements of Rochester Township, Lorain County, (the Township) as of and for the years ended December 31, 2009 and 2008. 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, 2009 and 2008 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, 2009 and 2008 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Rochester Township, Lorain County, as of December 31, 2009 and 2008, 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 December 13, 2010, 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

December 13, 2010

**ROCHESTER TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$18,461	\$61,110	\$0	\$79,571
Charges for Services	293	0	0	293
Licenses, Permits, and Fees	799	1,250	0	2,049
Intergovernmental	34,713	118,227	84,896	237,836
Earnings on Investments	807	403	0	1,210
Miscellaneous	568	20,982	0	21,550
Total Cash Receipts	<u>55,641</u>	<u>201,972</u>	<u>84,896</u>	<u>342,509</u>
Cash Disbursements:				
Current:				
General Government	37,085	10,235	0	47,320
Public Safety	360	32,807	0	33,167
Public Works	1,215	130,265	0	131,480
Health	3,089	318	0	3,407
Capital Outlay	0	10,000	84,896	94,896
Total Cash Disbursements	<u>41,749</u>	<u>183,625</u>	<u>84,896</u>	<u>310,270</u>
Total Receipts Over/(Under) Disbursements	<u>13,892</u>	<u>18,347</u>	<u>0</u>	<u>32,239</u>
Other Financing Receipts / (Disbursements):				
Other Financing Sources	693	0	0	693
Total Other Financing Receipts / (Disbursements)	<u>693</u>	<u>0</u>	<u>0</u>	<u>693</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	14,585	18,347	0	32,932
Fund Cash Balances, January 1	<u>33,152</u>	<u>93,981</u>	<u>0</u>	<u>127,133</u>
Fund Cash Balances, December 31	<u>\$47,737</u>	<u>\$112,328</u>	<u>\$0</u>	<u>\$160,065</u>

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

**ROCHESTER TOWNSHIP
LORAIN 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>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$19,951	\$53,649	\$0	\$73,600
Charges for Services	0	0	0	\$0
Licenses, Permits, and Fees	711	2,100	0	\$2,811
Intergovernmental	31,454	121,750	111,658	\$264,862
Earnings on Investments	2,181	1,308	0	\$3,489
Miscellaneous	773	14,346	0	15,119
Total Cash Receipts	<u>55,070</u>	<u>193,153</u>	<u>111,658</u>	<u>359,881</u>
Cash Disbursements:				
Current:				
General Government	46,626	12,679	0	59,305
Public Safety	1,639	29,148	0	30,787
Public Works	366	161,719	0	162,085
Health	1,798	13,698	0	15,496
Capital Outlay	0	948	111,658	112,606
Total Cash Disbursements	<u>50,429</u>	<u>218,192</u>	<u>111,658</u>	<u>380,279</u>
Total Receipts Over/(Under) Disbursements	<u>4,641</u>	<u>(25,039)</u>	<u>0</u>	<u>(20,398)</u>
Other Financing Receipts / (Disbursements):				
Other Financing Sources	2,526	5,000	0	7,526
Other Financing Uses	(754)	(888)	0	(1,642)
Total Other Financing Receipts / (Disbursements)	<u>1,772</u>	<u>4,112</u>	<u>0</u>	<u>5,884</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	6,413	(20,927)	0	(14,514)
Fund Cash Balances, January 1	26,739	114,908	0	141,647
Fund Cash Balances, December 31	<u>\$33,152</u>	<u>\$93,981</u>	<u>\$0</u>	<u>\$127,133</u>

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

**ROCHESTER TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

Note 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 Rochester Township, Lorain County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and fire protection. The Township's police protection is provided by the Lorain County Sheriff and emergency medical services are provided by the South Lorain County Joint Ambulance District.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. 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' deductible. This organization is discussed in Note 6.

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Township'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.

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:

General Fund

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

**ROCHESTER TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

Note 1 - Summary of Significant Accounting Policies (continued)

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:

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 to pay for constructing, maintaining, and repairing Township roads.

Fire Levy Fund - This fund receives property tax money to provide fire protection to township residents.

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 Fund:

Public Works Commission Project Fund - The Township received grants from the State of Ohio for the Bursley Road Reconstruction Project.

E. Budgetary Process

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

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.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**ROCHESTER TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

Note 1 - Summary of Significant Accounting Policies (continued)

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.

Note 2 - Equity in Pooled Deposits and Investments

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

	2009	2008
Demand deposits	\$160,065	\$127,133
Total deposits	\$160,065	\$127,133

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Note 3 - Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and December 31, 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,321	\$56,334	(\$5,987)
Special Revenue	168,783	201,972	33,189
Capital Projects	0	84,896	84,896
Total	\$231,104	\$343,202	\$112,098

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$78,500	\$41,749	\$36,751
Special Revenue	200,920	183,625	17,295
Capital Projects	0	84,896	(84,896)
Total	\$279,420	\$310,270	(\$30,850)

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,749	\$57,596	(\$6,153)
Special Revenue	153,518	198,153	44,635
Capital Projects	0	111,658	111,658
Total	\$217,267	\$367,407	\$150,140

**ROCHESTER TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

Note 3 - Budgetary Activity (continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$76,200	\$51,183	\$25,017
Special Revenue	213,722	219,080	(5,358)
Capital Projects	0	111,658	(111,658)
Total	\$289,922	\$381,921	(\$91,999)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Ohio Public Works Commission Fund by \$84,896 for the year ended December 31, 2009 and \$111,658 for the year ended December 31, 2008. In addition, expenditures exceeded appropriation authority in the Cemetery Fund by \$11,798 for the year ended December 31, 2008.

Note 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.

Tangible personal property tax is assessed by the property owners for 2008 and only against local and inter-exchange telephone companies for 2009, 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.

Note 5 - Retirement Systems

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

For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

Note 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.

**ROCHESTER TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

Note 6 - Risk Management (continued)

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$7,000.

**ROCHESTER TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

Note 6 – Risk Management (continued)

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>	
<u>2009</u>	<u>2008</u>
\$6,160	\$6,969

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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**

Rochester Township
Lorain County
52185 Griggs Road
Wellington, Ohio 44090

To the Board of Trustees:

We have audited the financial statements of Rochester Township, Lorain County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated December 13, 2010, 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 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated December 13, 2010.

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 management, the audit committee, the Board of Trustees and others within the Township. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 13, 2010

**ROCHESTER TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Material Weakness / Noncompliance Finding

Ohio Public Works Commission

Chapter 5705 of the Revised Code sets forth a mechanism that provides for a uniform budget and appropriation process in order to assure that a government entity expends no more than it expects to receive in revenue. In order to accomplish this end, all appropriations must be accounted to and from each appropriation fund. While federal and state loans and grants are deemed appropriated and in the process of collection so as to be available for expenditure, they must still be recorded per R.C. 5705.42. Thus, a mechanism is still required to account for receipt and expenditure. That mechanism is an amendment of, or a supplement to, the entity's estimated resources, or its appropriation measure, which shall comply with all provisions of law governing the taxing authority in making an original appropriation per R.C. 5705.40. An original appropriation measure must be passed by the taxing authority, and any amendment of, or supplement to, that measure also requires legislative action per R.C. 5705.38. Furthermore, no subdivision or taxing unit is to expend money unless it has been appropriated per R.C. 5705.41(B).

The Township was the beneficiary of \$84,896 and \$111,658 of Ohio Public Work Commission (OPWC) money in 2009 and 2008, respectively, sent directly to the vendor by OPWC. The Township failed to record the \$84,896 received in 2009 as a receipt and expenditure in the Ohio Public Works Commission Fund. The accompanying financial statements were adjusted to reflect these amounts in the Capital Project Fund. In addition, the monies received in both fiscal years were not appropriated causing expenditures to exceed appropriations in the Capital Projects Fund by \$84,896 in 2009 and \$111,658 in 2008.

The Township should follow the budgetary requirements of Chapter 5705 of the Revised Code and monitor appropriations, amending them as appropriate to record these funds. When the Township receives notice that it has been approved for funding by a State or Federal agency, the Fiscal Officer should review the reporting requirements established by Auditor of State Bulletins 2000-008 and 2002-004, certify the available resources to the County Budget Commission, amend its appropriations measure to account for the grant funds, and when notified the funds have been expended on its behalf, make memo entries to post the revenues and expenditures to the Township's books.

Officials' Response: The Fiscal Officer is aware that this needs to be done in this fashion.

FINDING NUMBER 2009-002

Material Weakness / Noncompliance Finding

Ohio Rev. Code Section 5705.10 (D) states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

**ROCHESTER TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDING NUMBER 2009-002 (Continued)

Material Weakness / Noncompliance Finding (Continued)

In 2009, the Township posted both the first and second half Homestead and Rollback monies to the General fund as property tax revenue that belonged to the Road and Bridge fund and the Special Levy fund. As a result, the following occurred:

- General Fund property tax revenue was overstated by \$11,085 and intergovernmental revenues were understated by \$2,625;
- Road and Bridge fund (a special revenue fund) intergovernmental revenue was understated by \$4,135; and
- Special Levy fund (a special revenue fund) intergovernmental revenue was understated by \$4,325.

In 2008, the Township posted both the first and second half Homestead and Rollback monies to the General fund as property tax revenue that belonged to the Road and Bridge fund and the Special Levy fund. As a result, the following occurred:

- General Fund property tax revenue was overstated by \$10,776 and intergovernmental revenues were understated by \$2,553;
- Road and Bridge fund (a special revenue fund) intergovernmental revenue was understated by \$4,007; and
- Special Levy fund (a special revenue fund) intergovernmental revenue was understated by \$4,216.

We also noted that a previous audit adjustment had been posted to the financial statements, but had not been posted to the Township's records. These adjustments resulted in a reduction of the General fund balance of \$17,739, an increase in the Road and Bridge fund balance of \$9,022 and an increase in the Special Levy fund balance of \$8,717.

All adjustments noted above have been posted to the financial statements and to the Township's financial records. The Township should follow proper procedures for posting revenue to the correct funds in the future.

Officials' Response: This has been discussed with the auditor, adjusted and in the future will be posted correctly.

**ROCHESTER TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDING NUMBER 2009-003

Noncompliance Finding

Expenditures in Excess of Appropriations

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. Contrary to Ohio Law, budgetary expenditures exceeded appropriation authority at December 31, 2008 in the following fund:

Fund	Appropriations	Expenditures	Variance
Cemetery Fund	\$ 1,900	\$13,698	(\$11,798)

The Township should monitor appropriations and expenditures monthly, at a minimum, to ensure that expenditures do not exceed appropriations. The Township should amend the appropriations as needed to avoid expenditures in excess of appropriations. If the Township receives additional monies, then they should follow procedures to appropriate those. Failure to limit expenditures to appropriations could lead to expenditures exceeding available resources and ultimately, negative fund balances.

Officials' Response: This amount was a donation and in the future I am now aware that it would need to be appropriated.

**ROCHESTER TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007- 001	<p>Finding for Recovery Repaid Under Audit</p> <p>The Township Fiscal Officer is also the Clerk/Treasurer for the Village of Rochester. On April 3, 2006, she deposited the Village's February Motor Vehicle Registration monies into the Township's Motor Vehicle fund in the amount of \$161.</p>	Yes	
2007- 002	<p>The Township did not create a Capital Projects fund to account for OPWC monies received in 2007 in the amount of \$87,939. In addition, the Township failed to appropriate the \$87,939, causing expenditures to exceed appropriations in 2007.</p>	No	Partially corrected. Repeated as finding 2009-001.



Mary Taylor, CPA
Auditor of State

ROCHESTER TOWNSHIP

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 28, 2010**