



**DELAWARE TOWNSHIP
DEFIANCE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006



Mary Taylor, CPA
Auditor of State

DELAWARE TOWNSHIP
DEFIANCE COUNTY

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Mary Taylor, CPA
Auditor of State

Delaware Township
Defiance County
07891 Mulligans Bluff Road
Defiance, Ohio 43512-9749

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

June 8, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Delaware Township
Defiance County
07891 Mulligans Bluff Road
Defiance, Ohio 43512-9749

To the Board of Trustees:

We have audited the accompanying financial statements of Delaware Township, Defiance County, (the Township) as of and for the years ended December 31, 2006 and 2005. 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.

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, 2006 and 2005, 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, 2006 and 2005, 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 Delaware Township, Defiance County, as of December 31, 2006 and 2005, 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 June 8, 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.



Mary Taylor, CPA
Auditor of State

June 8, 2007

**DELAWARE TOWNSHIP
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$11,284	\$86,578		\$97,862
Intergovernmental	69,319	129,689	\$16,067	215,075
Charges for Services		6,647		6,647
Licenses, Permits, and Fees	5,600	4,536		10,136
Earnings on Investments	1,295	178		1,473
Other Revenue	2,389	22,080		24,469
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	89,887	249,708	16,067	355,662
Cash Disbursements:				
Current:				
General Government	79,229	1,549		80,778
Public Safety		110,757		110,757
Public Works		152,631		152,631
Health		13,461		13,461
Debt Service:				
Redemption of Principal		21,056		21,056
Interest and Fiscal Charges		1,234		1,234
Capital Outlay			16,067	16,067
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	79,229	300,688	\$16,067	395,984
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	10,658	(50,980)		(40,322)
Other Financing Receipts:				
Loan Proceeds		41,000		41,000
Sale of Fixed Assets		16,800		16,800
Other Sources		10,216		10,216
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts		68,016		68,016
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	10,658	17,036		27,694
Fund Cash Balances, January 1	18,238	103,967		122,205
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$28,896	\$121,003		\$149,899

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

**DELAWARE TOWNSHIP
DEFIANCE COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$10,938	\$91,035		\$101,973
Intergovernmental	43,003	118,012	\$46,383	207,398
Charges for Services		10,656		10,656
Licenses, Permits, and Fees	7,300	3,440		10,740
Earnings on Investments	352	115		467
Other Revenue	4,279	9,675		13,954
Total Cash Receipts	<u>65,872</u>	<u>232,933</u>	<u>46,383</u>	<u>345,188</u>
Cash Disbursements:				
Current:				
General Government	83,876	3,064		86,940
Public Safety		45,923		45,923
Public Works		140,702		140,702
Health		7,808		7,808
Debt Service:				
Redemption of Principal		9,671		9,671
Interest and Fiscal Charges		1,982		1,982
Capital Outlay			46,383	46,383
Total Cash Disbursements	<u>83,876</u>	<u>209,150</u>	<u>\$46,383</u>	<u>339,409</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(18,004)</u>	<u>23,783</u>		<u>5,779</u>
Other Financing Receipts:				
Other Sources		756		756
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(18,004)	24,539		6,535
Fund Cash Balances, January 1	<u>36,242</u>	<u>79,428</u>		<u>115,670</u>
Fund Cash Balances, December 31	<u>\$18,238</u>	<u>\$103,967</u>		<u>\$122,205</u>

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

**DELAWARE TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Delaware Township, Defiance 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. 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. 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 at cost.

D. Fund Accounting

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

1. General Fund

The General Fund 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:

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

**DELAWARE TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

Fire Levy Fund – This fund receives property tax money to provide fire protection and emergency medical services to the residents of the Township.

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 fund:

Capital Projects Fund - The Township received grant money from the State of Ohio for improvements to 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, 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. Appropriations lapse at year end.

2. 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.

3. 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 2006 and 2005 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.

**DELAWARE TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. EQUITY IN POOLED CASH

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

	2006	2005
Demand deposits	\$119,899	\$97,205
Certificates of deposit	30,000	25,000
Total deposits	\$149,899	\$122,205

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$68,200	\$89,887	\$21,687
Special Revenue	284,300	317,724	33,424
Capital Projects	18,333	16,067	(2,266)
Total	\$370,833	\$423,678	\$52,845

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,438	\$79,229	\$7,209
Special Revenue	388,267	300,688	87,579
Capital Projects	18,333	16,067	2,266
Total	\$493,038	\$395,984	\$97,054

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$75,500	\$65,872	(\$9,628)
Special Revenue	217,650	233,689	16,039
Capital Projects	46,383	46,383	
Total	\$339,533	\$345,944	\$6,411

**DELAWARE TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY – (CONTINUED)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$111,742	\$83,876	\$27,866
Special Revenue	297,078	209,150	87,928
Capital Projects	46,383	46,383	
Total	\$455,203	\$339,409	\$115,794

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. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Bank Loan No. 22023 - Backhoe	\$4,299	4.94%
Bank Loan No. 22333 - Dump Truck	9,541	4.98%
Bank Loan No. 22841 - Mower	5,067	5.51%
Bank Loan No. 22913 - Pumper Truck	27,160	5.79%
Total	\$46,067	

The bank loans were to finance the purchases of a backhoe, dump truck, and mower to be used for Township road maintenance. The remaining loan was to purchase a pumper truck to be used by the Fire Department.

**DELAWARE TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. DEBT – (CONTINUED)

Amortization of the above debt is scheduled as follows:

Year ending December 31:	Bank Loan No. 22023 - Backhoe	Bank Loan No. 22333 - Dump Truck	Bank Loan No. 22841 - Mower	Bank Loan No. 22913 - Pumper Truck
2007	\$2,286	\$3,467	\$2,200	\$8,172
2008	2,286	3,467	2,200	8,172
2009		3,467	1,100	8,172
2010				6,098
Total	<u>\$4,572</u>	<u>\$10,401</u>	<u>\$5,500</u>	<u>\$30,614</u>

6. RETIREMENT SYSTEM

The Township's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is 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 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

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 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.

**DELAWARE TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. RISK MANAGEMENT – (CONTINUED)

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 \$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, including loss adjustment expenses. 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 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 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

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. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide 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, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

**DELAWARE TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. RISK MANAGEMENT – (CONTINUED)

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, 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 \$21,414. 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.

Contributions to OTARMA

2004	\$8,901
2005	\$8,873
2006	\$10,294

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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.

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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*

Delaware Township
Defiance County
07891 Mulligans Bluff Road
Defiance, Ohio 43512-9749

To the Board of Trustees:

We have audited the financial statements of Delaware Township, Defiance County, (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 8, 2007, 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 § 117.01 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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

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 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, of the significant deficiencies described above, we believe finding number 2006-001 is also a material weakness.

We noted certain internal control matters that we reported to the Township's management in a separate letter dated June 8, 2007.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated June 8, 2007.

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



Mary Taylor, CPA
Auditor of State

June 8, 2007

**DELAWARE TOWNSHIP
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Material Weakness

Monitoring of Financial Transactions

Inaccurate posting of transactions impedes the ability of the Trustees to accurately assess the financial status of the Township. We noted the following during our audit:

- Note retirement was not reported in separate line items on the Township's financial statements. The disbursements were reported as Public Safety and Public Works.
- The proceeds of new loans received were booked as miscellaneous revenue and other financing sources.
- The proceeds of the sale of fixed assets were recorded as miscellaneous revenue.
- Certain Fire/EMS grants were classified as miscellaneous revenue rather than intergovernmental revenue.

As a result, the Township's financial statements did not correctly reflect the financial activity of the Township. The accompanying financial statements have been adjusted so these transactions reflect their intended purpose.

We recommend that all debt payments and revenues be included in the line items established by the Uniform Accounting Network for such purposes. Further, the Township should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and Trustees to ensure that errors and omissions are detected and corrected.

We also reported this matter in our management letter in our audit of the 2004 and 2003 financial statements.

Official's Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-002

Significant Deficiency

EMS Run Accounting Records

The Township's management should monitor billings and collections made by its billing company for emergency medical service (EMS) runs for accuracy and completeness.

Management does not monitor reports sent from the billing company each month to determine that all EMS runs sent were billed or that the proper rates are charged. This situation resulted in a net loss of \$2,980 in revenue from EMS services in fiscal year 2005 due to improper rates being charged on 17 patient accounts.

In order to provide better accountability of revenues performed from EMS services and prevent or detect the loss of revenue for EMS services, we recommend the following:

- Township's management should maintain EMS accounting records that include the following:
 1. A report that includes the Fire Department EMS incident report number listing the patient's name and date of the EMS service;
 2. The date payment was received from Medicare, Medicaid, and/or the patient's health insurance company (if applicable);
 3. The patient's current account balance; and
 4. A monthly reconciliation of EMS collections between the Township records and the EMS billing company records.
- The Fiscal Officer should monitor EMS billings from billing reports provided by the billing company to make sure that the proper rates as approved by the Board for EMS services are charged.
- The Board should monitor EMS activity, including the status of delinquent accounts and monthly reconciliations of EMS collections between the Township records and the billing company records. This action should be noted in the minutes.

Official's Response:

We did not receive a response from Officials to this finding.

DELAWARE TOWNSHIP
DEFIANCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-001	Ohio Constitution, Article II, Section 20, for the Fiscal Officer receiving an increase in compensation in the middle of a term of office	Yes	Finding was repaid during the prior audit.



Mary Taylor, CPA
Auditor of State

DELAWARE TOWNSHIP

DEFIANCE 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
JULY 3, 2007**