



**ALLEN TOWNSHIP
OTTAWA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007



Mary Taylor, CPA
Auditor of State

ALLEN TOWNSHIP
OTTAWA COUNTY

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Mary Taylor, CPA Auditor of State

Allen Township
Ottawa County
21030 W. Toledo Street, P.O. Box 440
Williston, Ohio 43468-0440

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

May 12, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Allen Township
Ottawa County
21030 W. Toledo Street, P.O. Box 440
Williston, Ohio 43468-0440

To the Board of Trustees:

We have audited the accompanying financial statements of Allen Township, Ottawa County, (the Township) as of and for the years ended December 31, 2007 and 2006. 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, 2007 and 2006, 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, 2007 and 2006, 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 Allen Township, Ottawa County, as of December 31, 2007 and 2006, 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 May 12, 2008, 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

May 12, 2008

**ALLEN TOWNSHIP
OTTAWA 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$63,899	\$223,891	\$287,790
Licenses, Permits, and Fees	12,895	9,945	22,840
Fines and Forfeitures	2,057		2,057
Intergovernmental	58,184	137,777	195,961
Special Assessments		19,836	19,836
Earnings on Investments	20,303	845	21,148
Miscellaneous	71,385	4,982	76,367
	<u>228,723</u>	<u>397,276</u>	<u>625,999</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	172,022		172,022
Public Safety		48,520	48,520
Public Works	23,467	240,181	263,648
Health	12,500	17,450	29,950
Conservation - Recreation	20,206		20,206
Capital Outlay	11,906	6,903	18,809
Debt Service:			
Redemption of Principal		46,027	46,027
Interest and Other Fiscal Charges		6,008	6,008
	<u>240,101</u>	<u>365,089</u>	<u>605,190</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(11,378)</u>	<u>32,187</u>	<u>20,809</u>
Other Financing Receipts:			
Sale of Fixed Assets	<u>5,235</u>		<u>5,235</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	(6,143)	32,187	26,044
Fund Cash Balances, January 1	<u>125,572</u>	<u>328,405</u>	<u>453,977</u>
Fund Cash Balances, December 31	<u>\$119,429</u>	<u>\$360,592</u>	<u>\$480,021</u>

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

**ALLEN TOWNSHIP
OTTAWA 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:				
Property and Other Local Taxes	\$57,359	\$170,761		\$228,120
Licenses, Permits, and Fees	6,297	14,250		20,547
Fines and Forfeitures	1,050			1,050
Intergovernmental	57,438	135,167	\$22,562	215,167
Special Assessments		20,004		20,004
Earnings on Investments	17,904	747		18,651
Miscellaneous	15,013	5,292		20,305
	<u>155,061</u>	<u>346,221</u>	<u>22,562</u>	<u>523,844</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	174,616			174,616
Public Safety		42,330		42,330
Public Works	50,259	218,339		268,598
Health	11,611	17,508		29,119
Conservation - Recreation	3,236			3,236
Capital Outlay	8,561	72,863	22,562	103,986
Debt Service:				
Redemption of Principal	1,492	35,669		37,161
Interest and Other Fiscal Charges	328	6,449		6,777
	<u>250,103</u>	<u>393,158</u>	<u>22,562</u>	<u>665,823</u>
Total Cash Disbursements				
Total Cash Receipts (Under) Cash Disbursements	<u>(95,042)</u>	<u>(46,937)</u>		<u>(141,979)</u>
Other Financing Receipts:				
Other Debt Proceeds		86,000		86,000
Sale of Fixed Assets	8,800			8,800
	<u>8,800</u>	<u>86,000</u>		<u>94,800</u>
Total Other Financing Receipts				
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	(86,242)	39,063		(47,179)
Fund Cash Balances, January 1	<u>211,814</u>	<u>289,342</u>		<u>501,156</u>
Fund Cash Balances, December 31	<u><u>\$125,572</u></u>	<u><u>\$328,405</u></u>		<u><u>\$453,977</u></u>

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

**ALLEN TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 Allen Township, Ottawa County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, road and bridge maintenance, and cemetery maintenance. The Township contracts with the Ottawa County Sheriff to provide police services. The Allen-Clay Joint Fire District provides fire and emergency services to the Township.

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. As of December 31, 2007 and 2006, the Township had no investments.

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 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.

ALLEN TOWNSHIP
OTTAWA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Police District - This fund receives property tax money for police protection.

3. Capital Project Fund

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:

Issue II Fund - The Township received a grant from the State of Ohio for road repair.

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 2007 and 2006 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.

**ALLEN TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(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:

	2007	2006
Demand deposits	\$480,021	\$453,977

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, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$225,354	\$233,958	\$8,604
Special Revenue	411,628	397,276	(14,352)
Total	\$636,982	\$631,234	(\$5,748)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$349,148	\$240,101	\$109,047
Special Revenue	649,523	365,089	284,434
Total	\$998,671	\$605,190	\$393,481

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$165,047	\$163,861	(\$1,186)
Special Revenue	524,475	432,221	(92,254)
Capital Projects	22,562	22,562	
Total	\$712,084	\$618,644	(\$93,440)

**ALLEN TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY – (CONTINUED)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$375,064	\$250,103	\$124,961
Special Revenue	749,136	393,158	355,978
Capital Projects	22,562	22,562	
Total	\$1,146,762	\$665,823	\$480,939

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, 2007 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$15,870	0.00%
General Obligation Notes	39,747	5.75%
Dump Truck Loan	39,583	7.60%
Backhoe Loan	16,325	4.75%
Total	\$111,525	

The Township has entered into a loan agreement with the Ohio Public Works Commission for road work for Curtice-Williston roads. The loan is interest free. The loan will be paid from resources of the Road and Bridge fund.

**ALLEN TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. DEBT – (CONTINUED)

The Township issued a promissory note to finance the purchase of a new truck and accessories, new tractor, and to consolidate a prior note and lease which were issued for equipment purchased for Township road maintenance. The Township's taxing authority collateralized the note.

In 2006, the Township entered into a loan agreement with the National Bank of Oak Harbor for the purchase of a dump truck. The loan has an interest rate of 7.6 percent and will be paid from resources of the Road and Bridge fund.

In 2006, the Township entered into a loan agreement with the National Bank of Oak Harbor for the purchase of a backhoe. The loan has an interest rate of 4.75 percent and will be paid from resources of the Cemetery fund.

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

Year ending December 31:	OPWC Loan	Promissory Note	Dump Truck Loan	Backhoe Loan
2008	\$6,348	\$22,907	\$13,459	\$9,317
2009	6,348	19,089	13,462	7,764
2010	3,174		13,457	
2011			2,243	
Total	<u>\$15,870</u>	<u>\$41,996</u>	<u>\$42,621</u>	<u>\$17,081</u>

6. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9 percent, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7 percent, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

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.

**ALLEN TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(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 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, 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 (the latest information available):

<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>

**ALLEN TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(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 \$23,792. 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>	
2005	\$15,166
2006	\$15,455
2007	\$11,896

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*

Allen Township
Ottawa County
21030 W. Toledo Street, P.O. Box 440
Williston, Ohio 43468-0440

To the Board of Trustees:

We have audited the financial statements of Allen Township, Ottawa County, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 12, 2008 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 opinions 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.

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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: 2007-001 and 2007-002.

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 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, of the significant deficiencies described above, we believe finding number 2007-001 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 May 12, 2008.

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 an instance of noncompliance we must report under *Government Auditing Standards* as item 2007-001.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated May 12, 2008.

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



Mary Taylor, CPA
Auditor of State

May 12, 2008

ALLEN TOWNSHIP
OTTAWA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007

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

FINDING NUMBER 2007-001

Noncompliance Finding/Material Weakness

Ohio Revised Code § 505.2 (C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036. This section requires that compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions as the Board may specify by resolution. In addition, trustees are to establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be time sheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to the trustees paid per diem compensation,

During 2007, \$10,008 of the Trustee's salaries was paid from the Road & Bridge Fund and \$10,008 was paid from the Cemetery Fund, the remainder was paid out of the General Fund. The Trustees did not maintain any records documenting their time spent on the Township business and the type of service performed. This resulted in the following audit adjustment that is included in the accompanying financial statements:

<u>Fund</u>	<u>Function</u>	<u>Debit</u>	<u>Credit</u>
General	General Government	\$20,016	
Road and Bridge	Public Works		\$ 10,008
Cemetery	Health		10,008

We recommend that all Trustees' salaries, fringe benefits, and insurance be paid from the General Fund unless administrative procedures are established to document the proportionate amount of Trustee's salaries chargeable to other Township funds. Failure to properly document Trustees' salaries charged to funds other than the General Fund may result in material misstatements to the financial statements and unallowable expenditures in the Townships' other funds.

Official's Response:

This was a procedural error that has since been corrected. Year 2007 was an anomaly in the way trustees are paid in Allen Township. In previous years, all trustees were paid from the General Fund. Unfortunately, in 2007, the fiscal officer, unaware of the new guidance prohibiting payment of salaries from other funds without specific documentation, decided to distribute payment of two trustee's salaries to other funds. It was a case of bad timing. In 2008, the fiscal officer returned to the practice of paying all trustees from the General Fund.

FINDING NUMBER 2007-002

Significant Deficiency

Financial Reporting

We found several errors requiring adjustment to the financial statements. The Fiscal Officer incorrectly recorded \$86,000 in the special revenue funds as other financing sources instead of other debt proceeds in the year 2006. Also, the Fiscal Officer incorrectly posted the debt principal repayments of \$6,348 to the expense function public works in the special revenue funds in 2007. The Fiscal Officer also incorrectly posted the debt principal repayments of \$1,492 and interest of \$328 to the expense functions capital outlay and public works in the General fund in 2006. In addition, the Fiscal Officer incorrectly posted the debt principal repayment of \$7,697 and interest of \$204 to expense functions public works and capital outlay in the special revenue funds in the year 2006.

Also, in 2006 the Fiscal Officer incorrectly posted Ohio Public Works Commission monies to the Road and Bridge Fund, a special revenue fund, rather than a capital project fund as prescribed by Auditor of State Bulletin 2002-004. The accompanying financial statements and budgetary activity were adjusted to reflect these amounts in a capital project fund.

Sound financial reporting is the responsibility of the Fiscal Officer and Township Trustees and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Township Trustees, to identify and correct errors and omissions. Also, the Fiscal Officer can refer to the UAN accounting manual at the following web site address for guidance on the posting of transactions: http://uanlink.auditor.state.oh.us/pdf/uan_winsoftware/AccountingManual.pdf

Official's Response:

Original purchases were for machinery and/or equipment and were paid from that line item. The fiscal officer agrees that subsequent payments for these items should be expensed in principal and interest, rather than to continue to pay from the line item "machinery" After being made aware of the situation, the fiscal officer made the line item adjustments to correctly appropriate payments.

Recording the receipt of an \$86,000 loan is a line item adjustment. Upon acquiring a loan, the fiscal officer considered receipt of the loan an "other financing source" based on the revenue code descriptions in the UAN Accounting Manual. The audit examiners consider the loan to be "other debt proceeds." In the future, we will adapt to the recommendation/preferences of the state examiner when receipting loan dollars.

ALLEN TOWNSHIP
OTTAWA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Revised Code section 507.09 sets the salary for township fiscal officers; this was not followed for 2004 and a finding for recovery was issued and repaid.	Yes	



Mary Taylor, CPA
Auditor of State

ALLEN TOWNSHIP

OTTAWA 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
JUNE 10, 2008**