



Mary Taylor, CPA
Auditor of State

**BERN TOWNSHIP
ATHENS COUNTY**

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Mary Taylor, CPA
Auditor of State

Bern Township
Athens County
15795 Fruit Farm Road
Amesville, Ohio 45711

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

August 15, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Bern Township
Athens County
15795 Fruit Farm Road
Amesville, Ohio 45711

To the Board of Trustees:

We have audited the accompanying financial statements of Bern Township, Athens County, Ohio (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.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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.

The Township expended the Board of Trustees' salaries from the Gasoline Tax Fund, Cemetery Fund, and Road and Bridge Fund without establishing administrative procedures to document how they spent their time in the amount of \$33,554 in 2007 and \$15,926 in 2006. Ohio Rev. Code Section 505.24(C) and Ohio Attorney General Opinion 2004-036 sets for the method by which Township Trustees' compensation should be allocated. The Township has declined to adjust its financial statements or accounting records to record these disbursements from the Gasoline Tax Fund, Cemetery Fund and Road and Bridge Fund. Had these costs been paid from the General Fund, the effect would be to decrease the General Fund cash balance at December 31, 2006 by \$15,926 and December 31, 2007 by an additional \$33,554. The Gasoline Tax Fund cash balance would have increased by \$12,771 at December 31, 2006 and an additional \$29,952 at December 31, 2007. The Cemetery Fund cash balance would have increased by \$2,498 at December 31, 2006 and an additional \$3,602 at December 31, 2007. The Road and Bridge Fund cash balance would have increased by \$657 at December 31, 2006.

Also, in our opinion, except for the adjustment noted in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Bern Township, Athens 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 August 15, 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

August 15, 2008

**BERN TOWNSHIP
ATHENS 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>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 29,525	\$ 50,167	\$	\$ 79,692
Licenss, Permits, and Fees		5,400		5,400
Intergovernmental	12,663	99,831	29,117	141,611
Earnings on Investments	74	690		764
Miscellaneous	890	3,100		3,990
Total Cash Receipts	<u>43,152</u>	<u>159,188</u>	<u>29,117</u>	<u>231,457</u>
Cash Disbursements:				
Current:				
General Government	36,127	11,013		47,140
Public Safety		11,254		11,254
Public Works	28	102,775		102,803
Health		12,202		12,202
Capital Outlay	183	66,028	29,117	95,328
Total Cash Disbursements	<u>36,338</u>	<u>203,272</u>	<u>29,117</u>	<u>268,727</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>6,814</u>	<u>(44,084)</u>	<u>0</u>	<u>(37,270)</u>
Fund Cash Balances, January 1	<u>7,035</u>	<u>164,555</u>	<u>0</u>	<u>171,590</u>
Fund Cash Balances, December 31	<u><u>\$ 13,849</u></u>	<u><u>\$ 120,471</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 134,320</u></u>

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

**BERN TOWNSHIP
ATHENS 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 28,343	\$ 46,438	\$ 74,781
Licenses, Permits, and Fees		3,950	3,950
Intergovernmental	13,063	107,709	120,772
Earnings on Investments	108	718	826
Miscellaneous	492	700	1,192
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	42,006	159,515	201,521
Cash Disbursements:			
Current:			
General Government	48,854	162	49,016
Public Safety		14,620	14,620
Public Works		78,415	78,415
Health		12,652	12,652
Capital Outlay		16,600	16,600
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	48,854	122,449	171,303
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/> (6,848)	<hr/> 37,066	<hr/> 30,218
Other Financing Receipts/(Disbursements):			
Transfers-In		16,571	16,571
Transfers-Out	(16,571)		(16,571)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(16,571)	16,571	0
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(23,419)	53,637	30,218
Fund Cash Balances, January 1	<hr/> 30,454	<hr/> 110,918	<hr/> 141,372
Fund Cash Balances, December 31	<u>\$ 7,035</u>	<u>\$ 164,555</u>	<u>\$ 171,590</u>

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

**BERN TOWNSHIP
ATHENS 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 the Bern Township, Athens 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 participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 6 to the financial statements provide additional information for this entity.

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

B. Accounting Basis

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

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

C. Cash

All cash assets of the Township are maintained in an interest bearing checking account.

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 for constructing, maintaining, and repairing Township roads.

**BERN TOWNSHIP
ATHENS COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Cemetery Fund – This fund receives property tax money for maintaining Township cemeteries.

3. Capital Project Fund

This fund accounts 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 – This fund received Issue II money from the Ohio Public Works Commission for paving projects in 2007.

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.

**BERN TOWNSHIP
ATHENS COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

G. Accumulated Leave

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

2. Equity in Pooled Cash

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

	2007	2006
Demand deposits	\$ 134,320	\$ 171,590

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 43,600	\$ 43,152	\$ (448)
Special Revenue	166,350	159,188	(7,162)
Capital Projects	0	29,117	29,117
Total	\$ 209,950	\$ 231,457	\$ 21,507

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 45,087	\$ 36,338	\$ 8,749
Special Revenue	217,115	203,272	13,843
Capital Projects	0	29,117	(29,117)
Total	\$ 262,202	\$ 268,727	\$ (6,525)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 43,600	\$ 42,006	\$ (1,594)
Special Revenue	188,445	176,086	(12,359)
Total	\$ 232,045	\$ 218,092	\$ (13,953)

**BERN TOWNSHIP
ATHENS 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	\$ 73,107	\$ 65,425	\$ 7,682
Special Revenue	192,315	122,449	69,866
Total	\$ 265,422	\$ 187,874	\$ 77,548

In both years, the Township's estimated receipts exceeded actual receipts and the appropriations adopted by the Township Trustees were based on the higher estimated receipts. In addition, budgetary expenditures exceeded the formal appropriations at the legal level of control throughout the years and at year end.

4. Property Tax

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

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

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

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

5. Retirement Systems

The Township's elected officials and employees belong to Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.86 and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

6. Risk Management

Risk Pool Membership

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

**BERN TOWNSHIP
ATHENS COUNTY**

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

6. Risk Management (Continued)

Risk Pool Membership (Continued)

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$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 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

**BERN TOWNSHIP
ATHENS COUNTY**

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

6. Risk Management (Continued)

Risk Pool Membership (Continued)

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

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$6,000. 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

2005		
2006	\$	3,913
2007	\$	3,173

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



Mary Taylor, CPA

Auditor of State

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

Bern Township
Athens County
15795 Fruit Farm Road
Amesville, Ohio 45711

To the Board of Trustees:

We have audited the financial statements of Bern Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 15, 2008 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 qualified our report because the Township declined to adjust its financial statements or accounting records for Trustees' salaries disbursed from funds without adequate support for how the Trustees spent their time. These adjustments result in a material misstatement of General Fund, Gasoline Tax Fund, Cemetery Fund and Road and Bridge Fund cash balances as of December 31, 2006 and December 31, 2007. 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely

affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above, finding number 2007-001, is also a material weakness.

We noted certain matters that we reported to the Township's management in a separate letter dated August 15, 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items: 2007-001 through 2007-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 15, 2008.

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

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



Mary Taylor, CPA
Auditor of State

August 15, 2008

**BERN TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Finding for Adjustment/Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 505.24 (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 restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates trustees should 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 timesheets 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 trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds. The requirements of Ohio Rev. Code Section 505.24(C) were noted in the Bern Township Management Letter for the audit conducted for years ending December 31, 2005 and 2004.

For the entirety of 2007 and 2006, the Board of Trustees did not establish administrative procedures documenting their time spent on Township business and the type of service performed on these funds. Trustees' salaries are to be paid from the General Fund unless administrative procedures are established to document the proportionate amount of Trustees' salaries chargeable to other Township funds.

The Trustees' salaries and fringe benefits were allocated to special revenue funds without documentation as follows:

	2007	2006	Total
Gasoline Tax Fund	\$ 29,952	\$ 12,771	\$ 42,723
Cemetery Fund	3,602	2,498	6,100
Road and Bridge Fund		657	657
	\$ 33,554	\$ 15,926	\$ 49,480

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding For Adjustment is hereby issued against the Township's General Fund in the amount of \$49,480 and in favor of the Gasoline Tax Fund in the amount of \$42,723, the Road and Bridge Fund in the amount of \$657 and the Cemetery Fund in the amount of \$6,100.

The Township Fiscal Officer has not posted this adjustment to the Township records and therefore, this adjustment is not reflected in the accompanying financial statements.

We recommend the Township adopt formal administrative procedures regarding documenting the time spent by Township Trustee's on various duties. Once these administrative procedures are established trustee salaries and related benefits should be charged to the applicable funds in accordance with the timesheets or other similar method of record keeping.

Officials' Response: The Township Officials chose not to post this adjustment since it would place the General Fund in a deficit.

**BERN TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Rev. Code Section 5705.38 provides that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year and balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1st.

The Board of Trustees did not adopt permanent appropriations for 2006 until March 7, 2006. Temporary appropriations were not in place. This resulted in expenditures exceeding appropriations in every fund, function and object for the period January 1, 2006 through March 7, 2006.

We recommend the Board of Trustees pass an appropriation measure on or about the first day of the fiscal year. If the Township wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1st. Furthermore, the Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations.

Officials' Response: The Township Fiscal Officer stated that this was an isolated event and believes it will not recur in the future.

FINDING NUMBER 2007-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2007, total expenditures plus outstanding encumbrances exceeded total appropriations in the following funds:

<u>Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Deficiency</u>
2021: Gasoline Tax	\$ 101,893	\$ 108,984	\$ (7,091)
2192: Fire District Levy	9,505	11,489	(1,984)
2902: Miscellaneous Special Revenue	0	10,778	(10,778)

At December 31, 2006, total expenditures plus outstanding encumbrances exceeded total appropriations in the following fund:

<u>Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Deficiency</u>
2902: Miscellaneous Special Revenue	\$ 0	\$ 5,793	\$ (5,793)

**BERN TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-003 (Continued)

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

It was also noted during testing that expenditures exceeded appropriations in various line items throughout the audit period. Noncompliance could have resulted in expenditures exceeding available fund balances.

We recommend the Fiscal Officer deny payment requests exceeding appropriations. The Fiscal Officer may request the Board of Trustees to approve increased expenditure levels by increasing appropriation and amending estimated resources, if necessary. Also the Fiscal Officer should make sure that appropriation measures are being filed with the county auditor each year.

Officials' Response: The Township officials will monitor this more closely in the future.

**BERN TOWNSHIP
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

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 Rev. Code Section 5705.41(B) – Expenditures exceeding appropriations at the legal level of control.	No	Not Corrected; Repeated in the current Schedule of Findings as 2007-003.
2005-002	Ohio Rev. Code Section 5705.38 – Expending funds without legal appropriation authority.	No	Not Corrected; Repeated in the current Schedule of Findings as 2007-002.
2005-003	Ohio Rev. Code Section 5705.41(D)(1) – Prior certification of expenditures	Yes	
2005-004	Ohio Rev. Code Section 5705.36(A) – Estimated receipts exceeded actual receipts and appropriations were based on the higher estimated amount.	Yes	



Mary Taylor, CPA
Auditor of State

BERN TOWNSHIP

ATHENS 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
SEPTEMBER 18, 2008**