

**Hale Township
Hardin County, Ohio
Financial Statements
December 31, 2009 and 2008**

THIS PAGE INTENTIONALLY LEFT BLANK



Mary Taylor, CPA

Auditor of State

Board of Trustees
Hale Township
310 West Mansfield Road
Mt. Victory, Ohio 43326

We have reviewed the *Independent Auditors' Report* of Hale Township, Hardin County, prepared by Taylor, Applegate, Hughes & Associates, Ltd., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Hale Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 9, 2010

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

Hale Township
Hardin County, Ohio

Table of Contents

<u>Title</u>	<u>Page</u>
Independent Auditors' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances –All Governmental Fund and Fiduciary Fund Types for the Year Ended December 31, 2009	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund and Fiduciary Fund Types for the year Ended December 31, 2008	4
Notes to the Financial Statements	5
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITORS' REPORT

Hale Township
310 West Mansfield Rd.
Mt. Victory, Ohio 43326

To the Board of Trustees:

We have audited the accompanying financial statements of Hale Township, Hardin County, Ohio, (the Township), as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, 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 effect of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Hale Township
Hardin County
Independent Auditor's Report
Page 2

Also, in our opinion, the financial statements referred to above do present fairly, in all material respects the combined fund cash balances of Hale Township, Hardin County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 21, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opinion 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 than audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Taylor, Applegate, Hughes & Assoc., Ltd.

Taylor, Applegate, Hughes and Associates, Ltd.
June 21, 2010

This Page is Intentionally Left Blank.

**HALE TOWNSHIP
HARDIN COUNTY, OHIO**

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

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Local Taxes	\$ 18,683	\$ 31,846		\$ 50,529
Intergovernmental	14,871	94,929		109,800
Fines, licenses, and permits	410	5,800		6,210
Interest	3,695	201		3,896
Miscellaneous	1,470	6,850	-	8,320
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	39,129	139,626	-	178,755
Cash Disbursements:				
Current:				
General government	35,735	644		36,379
Public health services	7,000	15,989		22,989
Public works		99,769		99,769
Human services		6,000		6,000
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	42,735	122,402	-	165,137
Total Receipts over (Under) Disbursements	(3,606)	17,224	-	13,618
Other Financing Receipts/(Disbursements):				
Transfers-in		10,000		10,000
Transfers-out	(10,000)	-	-	(10,000)
Other financing sources	(12,629)	-	-	(12,629)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(22,629)	10,000	-	(12,629)
Total of Receipts and Other Sources Over (Under) Disbursements and Other Uses	<hr/>	<hr/>	<hr/>	<hr/>
	(26,235)	27,224	-	989
Fund cash balances January 1, 2009	\$ 164,871	\$ 63,048	\$ 1,243	\$ 229,162
Fund cash balances, December 31, 2009	<u>\$ 138,636</u>	<u>\$ 90,272</u>	<u>\$ 1,243</u>	<u>\$ 230,151</u>

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

**HALE TOWNSHIP
HARDIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUNDS TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Local Taxes	\$ 17,876	\$ 30,601		\$ 48,477
Intergovernmental	24,172	98,239		122,411
Fines, licenses, and permits	54	4,050		4,104
Interest	6,118	241		6,359
Miscellaneous	664	4,038	-	4,702
Total Cash Receipts	48,884	137,169	-	186,053
Cash Disbursements:				
Current:				
General government	44,563	996		45,559
Public health services	6,656	13,263		19,919
Public works		112,307		112,307
Miscellaneous		2,500		2,500
Human Services		10,727		10,727
Capital outlay	4,507	2,644	-	7,151
Total Cash Disbursements	55,726	142,437	-	198,163
Total Receipts over (Under) Disbursements	(6,842)	(5,268)	-	(12,110)
Other Financing Receipts/(Disbursements):				
Transfers-in	-	5,000		5,000
Transfers-out	(5,000)	-	-	(5,000)
Total Other Financing Receipts/(Disbursements)	(5,000)	5,000	-	-
Total of Receipts and Other Sources Over (Under) Disbursements and Other Uses	(11,842)	(268)	-	(12,110)
Fund cash balances, January 1, 2008	\$ 176,713	\$ 63,316	\$ 1,243	\$ 241,272
Fund cash balances, December 31, 2008	<u>\$ 164,871</u>	<u>\$ 63,048</u>	<u>\$ 1,243</u>	<u>\$ 229,162</u>

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

**HALE TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

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 Hale Township, Hardin County, (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township contracts with the City of Mt. Victory, Ohio to provide fire services to its residents.

The Township participates in one jointly governed organization and the Ohio Township Association Risk Management Authority public entity risk pool. Notes 6 and 7 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organization:

Hardin County Regional Planning Commission – makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority – provides property and casualty coverage

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

B. Basis of Accounting

These financial statements follow the basis of accounting 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

Certificates of deposit are valued at cost.

**HALE TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 is used for reporting all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund is used to receive property tax money for constructing, maintaining and repairing Township roads and bridges.

Gasoline Tax Fund - This fund is used to receive gasoline tax money to pay for constructing, maintaining, and repairing Township streets.

Motor Vehicle License Tax Fund - This fund is used to receive tax money for maintaining and repairing township roads.

Cemetery Fund - This fund is used to receive money and fees from the sale of lots, grave openings and grave closings for the purpose of maintaining and operating the Township cemeteries.

2. Permanent Fund

These funds account for resources that are legally restricted to the extent only earnings, not principal, may be used for purposes that support the Township's programs. The Township had the following permanent fund:

Cemetery Bequest Funds – these funds account for resources restricted by legally binding agreements.

E. Budgetary Process

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

**HALE TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Budgetary Process, Continued

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 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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

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

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$116,891	\$107,791
Certificates of deposit	<u>113,260</u>	<u>121,371</u>
Total deposits	<u>\$230,151</u>	<u>\$229,162</u>

Deposits

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

**HALE TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

3. BUDGETARY ACTIVITY

2009 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 40,072	\$ 39,129	\$ 943
Special Revenue	147,962	149,626	(1,664)
Permanent	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$188,034</u>	<u>\$188,755</u>	<u>(\$ 741)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 79,608	\$ 65,364	\$ 14,244
Special Revenue	<u>183,250</u>	<u>122,402</u>	<u>60,848</u>
Total	<u>\$262,858</u>	<u>\$ 187,766</u>	<u>\$ 75,092</u>

2008 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 44,529	\$ 48,884	\$ 4,355
Special Revenue	148,068	142,170	(5,898)
Permanent	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$192,597</u>	<u>\$191,054</u>	<u>(\$1,543)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$204,806	\$ 60,726	\$144,080
Special Revenue	180,270	142,437	37,833
Permanent	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$385,076</u>	<u>\$203,163</u>	<u>\$181,913</u>

Appropriations exceeded actual resources in the Cemetery Fund by \$3,244 and \$8,452 in 2009 and 2008, respectively.

**HALE TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

4. PROPERTY TAXES

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the Board. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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 full-time and part time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS' members contributed 10 percent (2009 and 2008) of their gross salaries. The Township contributed an amount equaling 14 percent (2009 and 2008) of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

6. RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc (ARPCO), a division of York Insurance Services Group, Inc. (York) functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**HALE TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

6. RISK MANAGEMENT, Continued

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

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

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, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	(12,981,818)	(13,357,837)
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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.

**HALE TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

6. RISK MANAGEMENT, Continued

The Township's contributions to OTARMA for the past three years are as follows:

	<u>Contributions to OTARMA</u>
2007	\$3,503
2008	\$3,372
2009	\$2,930

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.

7. JOINTLY GOVERNED ORGANIZATION

Hardin County Regional Planning Commission

The Hardin County Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

8. RELATED PARTIES

The Fiscal Officer of Hale Township works as a cashier at Mt. Victory Bank. The Township has all of its funds at Mt. Victory Bank.

**HALE TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

9. INTERFUND TRANSFERS

During 2009 the following transfer was made:

Transfer from the General Fund to:	
Cemetery Fund	\$10,000

During 2008 the following transfer was made:

Transfer from the General Fund to:	
Cemetery Fund	\$5,000

TaylorApplegateHughes

AND ASSOCIATES, LTD

CERTIFIED PUBLIC
ACCOUNTANTS +
BUSINESS ADVISORS

Independent Auditors' Report on Internal Control over Financial Reporting and On Compliance and Other Matters Required By *Government Auditing Standards*

Hale Township
310 West Mansfield Rd.
Mt. Victory, Ohio 43340

To the Township Board of Trustees:

We have audited the financial statements of Hale Township, Hardin County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 21, 2010, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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

Hale Township
Hardin County, Ohio
Independent Auditors' Report on Internal Control over
Financial Reporting and On Compliance and Other Matters
Required by *Governmental Auditing Standards*
Page 2

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2009-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatements, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially effect 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 such 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 2009-001 and 2009-002.

We 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 June 21, 2010.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

Taylor, Applegate, Hughes & Assoc., Ltd.

Taylor, Applegate, Hughes and Associates, Ltd.
June 21, 2010

**HALE TOWNSHIP
HARDIN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 and 2008**

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

FINDING NUMBER 2009-001

Noncompliance/Material Weakness

Ohio Revised Code Section 5705-36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificated of estimated resources. ORC 5705.36 requires the Township to obtain an increase amended certificate of estimated resources from the budge commission if the legislative authority intends to appropriate and expend the excess revenue. The Ohio Revised Code 5705.36 (A)(4) requires the Township to obtain a reduced amended certificated if the amount of the deficiency will reduce available resources below the current level of appropriation.

In fiscal years 2009 and 2008, appropriations for the Cemetery Fund exceeded the amount of available appropriations. Failure to monitor the appropriations versus actual resources could result in expenditures exceeding available resources and possibly result in deficit spending.

We recommend the Fiscal Officer monitor the budget versus actual reports and approve modifications if necessary. Approval of the modifications should be enacted and documented in the Township Minutes.

Township Response: We did not receive a written response.

FINDING NUMBER 2009-002

Noncompliance/Significant Deficiency

Ohio Rev. Code, Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

**HALE TOWNSHIP
HARDIN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDING NUMBER 2009-2 (continued)

1. **“Then and Now” Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority, effective September 26, 2003) against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2009 the Fiscal Officer did not properly certify the purchase orders or blanket certificates prior to purchase commitment by not signing the Certificates. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

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

We recommend the Fiscal Officer sign all purchase orders to which section 5704.41(D) applies. The fiscal officer should sign the certification at the time the Township incurs a commitment.

Township Response: We did not receive a written response.

**HALE TOWNSHIP
HARDIN COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Failure to report Issue II money disbursed to another on the Township's behalf	Yes	Finding No Longer Valid. Did not receive any Issue II money during 2009 and 2008



Mary Taylor, CPA
Auditor of State

HALE TOWNSHIP

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 23, 2010**