

RADNOR TOWNSHIP
DELAWARE COUNTY, OHIO

Financial Statements
December 31, 2006 and 2005

Wolf, Rogers, Dickey & Co.
Certified Public Accountants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Radnor Township
4203 St. Rt. 203
Radnor, Ohio 43066

We have reviewed the *Independent Auditors' Report* of Radnor Township, Delaware County, prepared by Wolf, Rogers, Dickey & Co., for the audit period January 1, 2005 through December 31, 2006. 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.

Finding for Recovery Repaid Under Audit

Ohio Rev. Code Section 505.60 states the board of township trustees of any township may negotiate and contract for the purchase of a policy of long-term care insurance for township officers and employees pursuant to Section 124.841 of the Revised Code. Ohio Rev. Code Section 124.841(B) states any political subdivision may negotiate with and may contract with one or more insurance companies or health insuring corporations authorized to operate or do business in the state for the purchase of a policy of long-term care insurance covering all elected officials and employees of the political subdivision.

In 2006 and 2005, the Township did not purchase a long-term care insurance policy covering all officials and employees of the Township. In 2006 and 2005, Lloyd Shoaf, trustee, was reimbursed \$2,500 each year for his individual long-term care insurance.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Lloyd Shoaf, trustee, in the amount of \$5,000 and in favor of the Radnor Township General Fund.

On January 7, 2008, Lloyd Shoaf repaid \$5,000 to the Township. The \$5,000 was deposited and credited to the Township's General fund.

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. Radnor Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 23, 2008

Radnor Township
Delaware County, Ohio

For the Years Ended
December 31, 2006 and 2005

Table of Contents

Independent Auditors' Report	1-2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types For the Year Ended December 31, 2006	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types For the Year Ended December 31, 2005	4
Notes to the Financial Statements	5-12
Independent Auditors' Report on Internal Control Over Financial Reporting And On Compliance And Other Matters, Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	13-14
Schedule of Findings	15-17

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

38 South Franklin Street

P. O. Box 352

Delaware, Ohio 43015-0352

Telephone: 740-362-9031

Fax: 740-363-7799

Independent Auditors' Report

Radnor Township
Delaware County, Ohio

To the Board of Trustees:

We have audited the accompanying financial statements of Radnor Township, Delaware County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 of Ohio 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity-wide statements and also to present larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this 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 of Ohio permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or their 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 and reserves for encumbrances of Radnor Township, Delaware County, Ohio as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. 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 September 9, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, 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* and should be read in conjunction with this report in considering the results of our audit.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

September 9, 2007

Radnor Township
Delaware County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental and Fiduciary Fund Types
For the Year Ended December 31, 2006

	<u>Governmental Fund Types</u>				Private Purpose Trusts	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>		
Cash receipts:						
Local taxes	\$ 78,590	83,077	96,321	-	-	257,988
Charges for services	800	7,200	-	-	-	8,000
Intergovernmental	45,463	114,857	12,179	10,747	-	183,246
Licenses, permits and fee	-	10,150	-	-	-	10,150
Earnings on investments	16,034	3,028	-	-	-	19,062
Other	<u>12,647</u>	<u>7,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,837</u>
Total cash receipts	<u>153,534</u>	<u>225,502</u>	<u>108,500</u>	<u>10,747</u>	<u>-</u>	<u>498,283</u>
Cash disbursements:						
Current:						
General government	109,750	-	1,442	-	-	111,192
Public safety	-	54,193	-	-	-	54,193
Public works	-	64,654	-	-	-	64,654
Health	-	33,593	-	-	-	33,593
Conservation-recreation	-	-	-	10,747	-	10,747
Debt service:						
Redemption of principal	-	15,383	59,750	-	-	75,133
Interest and fiscal charges	-	649	5,910	-	-	6,559
Capital outlay	<u>20,437</u>	<u>79,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,616</u>
Total cash disbursements	<u>130,187</u>	<u>247,651</u>	<u>67,102</u>	<u>10,747</u>	<u>-</u>	<u>455,687</u>
Total receipts over (under) disbursements	23,347	(22,149)	41,398	-	-	42,596
Fund cash balances, January 1	<u>291,722</u>	<u>336,170</u>	<u>56,232</u>	<u>-</u>	<u>816</u>	<u>684,940</u>
Fund cash balances, December 31	\$ <u>315,069</u>	<u>314,021</u>	<u>97,630</u>	<u>-</u>	<u>816</u>	<u>727,536</u>
Reserves for encumbrances	\$ <u>4,317</u>	<u>5,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,154</u>

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

Radnor Township
Delaware County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental and Fiduciary Fund Types
For the Year Ended December 31, 2005

	<u>Governmental Fund Types</u>			<u>Fiduciary Funds</u>	Totals
	<u>General</u>	Special <u>Revenue</u>	Debt <u>Service</u>	Non- Expendable <u>Trusts</u>	(Memorandum Only)
Cash receipts:					
Local taxes	\$ 68,321	80,435	84,718	-	233,474
Charges for services	600	5,400	-	-	6,000
Intergovernmental	163,214	104,568	10,571	-	278,353
Licenses, permits and fees	-	7,200	-	-	7,200
Earnings on investments	11,255	1,878	-	-	13,133
Other	<u>1,544</u>	<u>11,760</u>	<u>-</u>	<u>-</u>	<u>13,304</u>
Total cash receipts	<u>244,934</u>	<u>211,241</u>	<u>95,289</u>	<u>-</u>	<u>551,464</u>
Cash disbursements:					
Current:					
General government	120,755	-	1,309	-	122,064
Public safety	-	63,340	-	-	63,340
Public works	599	130,757	-	-	131,356
Health	887	31,124	-	-	32,011
Debt service:					
Redemption of principal	-	14,614	53,000	-	67,614
Interest and fiscal charges	-	1,522	9,600	-	11,122
Capital outlay	<u>8,500</u>	<u>2,314</u>	<u>-</u>	<u>-</u>	<u>10,814</u>
Total cash disbursements	<u>130,741</u>	<u>243,671</u>	<u>63,909</u>	<u>-</u>	<u>438,321</u>
Total receipts over (under) disbursements	114,193	(32,430)	31,380	-	113,143
Other financing receipts (disbursements):					
Transfers in	-	142,000	-	-	142,000
Transfers out	<u>(142,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(142,000)</u>
Net other financing	<u>(142,000)</u>	<u>142,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Receipts over (under) Disbursements	(27,807)	109,570	31,380	-	113,143
Fund cash balances, January 1	<u>319,529</u>	<u>226,600</u>	<u>24,852</u>	<u>816</u>	<u>571,797</u>
Fund cash balances, December 31	\$ <u>291,722</u>	<u>336,170</u>	<u>56,232</u>	<u>816</u>	<u>684,940</u>
Reserves for encumbrances	\$ <u>37,719</u>	<u>38,817</u>	<u>-</u>	<u>-</u>	<u>76,536</u>

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

Radnor Township
Delaware County, Ohio
Notes to the Financial Statements
December 31, 2006 and 2005

(1) Summary of Significant Accounting Policies

Description of the Entity

Radnor Township, Delaware County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Delaware County Sheriff's Department to provide security of persons and property.

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

Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State of Ohio.

Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. Certificates of deposit are valued at cost.

Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Radnor Township
Delaware County, Ohio
Notes to the Financial Statements, continued
December 31, 2006 and 2005

(1) Summary of Significant Accounting Policies, continued

Fund Accounting, continued

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:

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

Fire District Fund – This fund receives tax money from a special fire levy for covering the cost of fire protection.

Debt Service Fund

This debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Funds:

General Bond Retirement Fund – This fund receives tax money earmarked to retire the bonded debt associated with the construction of the fire house.

Fiduciary Funds (Trust Fund)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Township had the following significant fiduciary funds:

Non-expendable Trust Funds (2005 classification) – These funds received restricted donations. Interest earned may be used to maintain graves in the cemetery. In 2006, the monies from these funds were transferred to comply with the updated standards.

Private Purpose Trust Funds (classification for 2006) – During 2006, this fund received money from trusts for perpetual care of certain individuals' cemetery lots located in the Radnor Cemetery.

Budgetary Process

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

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

Radnor Township
 Delaware County, Ohio
 Notes to the Financial Statements, continued
 December 31, 2006 and 2005

(1) Summary of Significant Accounting Policies, continued

subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2005 and 2006 budgetary activity appears in Note 3.

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 investment 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>2006</u>	<u>2005</u>
Demand deposits	\$ 370,760	342,745
Certificates of deposit	50,000	50,000
Investments in STAR Ohio	<u>306,776</u>	<u>292,195</u>
Total deposits and investments	\$ <u>727,536</u>	<u>684,940</u>

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

The Township has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State of Ohio to pool their funds for investment purposes.

Radnor Township
Delaware County, Ohio
Notes to the Financial Statements, continued
December 31, 2006 and 2005

(3) Budgetary Activity

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

<u>2006 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General	\$ 159,915	153,534	(6,381)
Special Revenue	199,300	225,502	26,202
Debt Service	107,381	108,500	1,119
Capital Projects	10,747	10,747	-
Private Purpose Trust	<u>815</u>	<u>-</u>	<u>(815)</u>
Total	\$ <u>478,158</u>	<u>498,283</u>	<u>20,125</u>

<u>2006 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General	\$ 413,734	134,504	279,230
Special Revenue	458,899	253,488	205,411
Debt Service	150,000	67,102	82,898
Capital Projects	<u>-</u>	<u>10,747</u>	<u>(10,747)</u>
Total	\$ <u>1,022,633</u>	<u>465,841</u>	<u>556,792</u>

<u>2005 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General	\$ 147,575	244,934	97,359
Special Revenue	294,805	353,241	58,436
Debt Service	95,115	95,289	174
Non-Expendable Trust	<u>815</u>	<u>-</u>	<u>(815)</u>
Total	\$ <u>538,310</u>	<u>693,464</u>	<u>155,154</u>

Radnor Township
Delaware County, Ohio
Notes to the Financial Statements, continued
December 31, 2006 and 2005

(3) Budgetary Activity, continued

<u>Fund Type</u>	<u>2005 Budgeted vs. Actual Budgetary Basis Expenditures</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$	465,000	310,460	154,540
Special Revenue		522,204	282,488	239,716
Debt Service		119,966	63,909	56,057
Non-Expendable Trust		<u>12</u>	<u>-</u>	<u>12</u>
Total	\$	<u>1,107,182</u>	<u>656,857</u>	<u>450,325</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Projects fund \$10,747 in 2006.

(4) Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

(5) Debt

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General obligation bonds	\$ 59,750	6%

On October 9, 1996, general obligation bonds were issued in the amount of \$525,000 to finance the construction of a building for Township purposes, including a fire station and community center. The bonds are collateralized solely by the Township taxing authority and final payment is due December 2008. On February 3, 2000, a promissory note was issued in the amount of \$93,000 to finance the purchase of a new fire truck. The note was secured by the fire truck and final payment was made in December 2006.

Radnor Township
Delaware County, Ohio
Notes to the Financial Statements, continued
December 31, 2006 and 2005

(5) Debt, continued

Annual maturities of principal for the general obligation bonds for 2007 and 2008, are \$45,000 and \$14,750, respectively.

(6) Retirement Systems

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, PERS members contributed 9% and 8.5% of their gross salaries, respectively, while the Township contributed 13.7% and 13.55 % of participants' gross salaries, respectively. The Township has paid all contributions required through December 31, 2006.

(7) Risk Management

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

The Township insures against injuries to employees through the Ohio Bureau of Workers' 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 OTARMA 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.

Radnor Township
 Delaware County, Ohio
 Notes to the Financial Statements, continued
 December 31, 2006 and 2005

(7) Risk Management, continued

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:

<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>
<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. Because OTARMA is a public entity risk pool that shares risk management among its members, a specific liability related to the Township cannot be reasonably estimated.

Radnor Township
Delaware County, Ohio
Notes to the Financial Statements, continued
December 31, 2006 and 2005

(7) Risk Management, continued

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA

2004	\$12,234
2005	\$13,599
2006	\$14,071

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.

(8) Lease Agreement

In April 1996, the Township entered into a ninety-nine (99) year agreement with the Delaware County Commissioners to lease real property comprised of approximately 5.8 acres of land upon which the Township has built a fire house and a Township Hall. The base rent is one dollar (\$1.00) per year. In December 1997 the Township paid the full \$99.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

38 South Franklin Street

P. O. Box 352

Delaware, Ohio 43015-0352

Telephone: 740-362-9031

Fax: 740-363-7799

**Independent Accountants' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Based On An Audit Of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Radnor Township
Delaware County, Ohio

To the Board of Trustees:

We have audited the financial statements of Radnor Township, Delaware County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 9, 2007, wherein we noted the Township followed accounting practices the Auditor of State of Ohio 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more than inconsequential financial statement

misstatement. We consider the following deficiencies in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-02 and 2006-06.

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 considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses. In a separate letter to the Township's management dated September 9, 2007, we reported other matters involving internal controls over financial reporting that we did not deem significant deficiencies.

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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2006-01, 2006-03, 2006-04 and 2006-05.

We noted certain noncompliance or other matters not requiring inclusion in this report that we reported to management of the Township in a separate letter dated September 9, 2007.

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.

This report is intended solely for the information and use of the Board of Trustees, management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

September 9, 2007

Radnor Township
Delaware County, Ohio
Schedule of Findings
December 31, 2006 and 2005

Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS

Finding Number 2006-01

Radnor Township does not procure its own group health insurance policy and has been in the practice of reimbursing participating elected officials and full-time employees a maximum of \$2,500 per year for out-of-pocket premium costs. ORC Section 505.60 sets forth the requirements related to provision of group health insurance benefits and reimbursement of out-of-pocket premiums and Auditor of State Bulletin 96-002 provides an interpretation of and guidelines for compliance with ORC 505.60.

According to ORC 505.60 and Bulletin 96-002, if the Township elects to reimburse for out-of-pocket group insurance premiums, it must do so by resolution. The resolution must state that the township has chosen to reimburse premiums instead of procuring its own policy, must provide for a maximum amount to be reimbursed per person, and must list the types of coverage for which the township will reimburse and offer all elected officials and eligible employees reimbursement for those coverages. The Township did not adopt the required resolution for 2005 or 2006.

In addition, eligible coverage is defined in ORC 505.60(A) as hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or any combination of these. Bulletin 96-002 states that coverages other than these cannot be reimbursed by the township. In 2005 and 2006, the Township reimbursed \$2,500 to one Trustee for long-term care insurance. This coverage is not listed as eligible for reimbursement.

Township Response

Future insurance reimbursements will be for health insurance only and will be adopted by the Board of Trustees via resolution.

Finding Number 2006-02

The Township expended \$7,877 of the cost of constructing a picnic shelter house on the Township grounds from the Fire District Fund. The Township received a grant to offset the cost of the shelter, of which \$5,373 were credited back to the Fire District Fund. Fire district levy monies have been collected from Township residents for the purpose of providing fire protection services to the Township. While a portion of other expenses related to maintaining the Township's property are arguably indirectly related to the fire house portion of the building (utilities, snow removal, etc.), providing a picnic shelter house for Township residents is not directly or indirectly related to providing fire protection services. These expenditures and grant funds have been reclassified to the General Fund for financial statement presentation.

Radnor Township
Delaware County, Ohio
Schedule of Findings (continued)
December 31, 2006 and 2005

Township Response

See response to Finding 2006-003.

Finding Number 2006-03

ORC Section 5705.41(B) states that no money is to be expended unless it has been appropriated. Actual expenditures exceeded appropriations in the Community Park Improvement grant fund in 2006.

Township Response

When the Community Park Improvements Grant Fund was established, site preparation costs were not known, therefore those expenses were not included in the fund appropriations.

Finding Number 2006-04

ORC Section 5705.41 (D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury at the time of the making of such contract or order. During our testing of non-payroll related cash disbursements we noted that purchase orders or blanket certificates were dated after the invoice date for 21 of 44 disbursements tested in 2005 and 10 of 39 disbursements tested in 2006.

Township Response

Fiscal Officer reviews fund status and appropriation status reports prior to cash disbursements. Confirmation that sufficient funds exist is made at that time.

Finding Number 2006-05

ORC Section 5705.36 requires townships to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year. The beginning balances on the first amended certificate of estimated resources for 2006 included funds that were encumbered at the end of 2005, and therefore were not available for expenditure in 2006.

Township Response

No Response

Radnor Township
Delaware County, Ohio
Schedule of Findings (continued)
December 31, 2006 and 2005

Finding Number 2006-06

Expenditures for capital purchases, operating supplies and legal fees were charged to “other expenses” in 2006. In many cases, the “other expenses” account is not in an appropriate account grouping for financial statement reporting. The fiscal officer indicates that this is done when there are insufficient appropriations remaining within the correct account code or if an account was not set up in the UAN accounting system. The UAN user manual provides instructions for activating additional account codes. In addition, appropriations may be amended or supplemented, provided the resources are available, by a resolution of the board. Capital expenditures totaling \$49,364 have been reclassified for financial statement presentation in 2006.

Township Response

In future, additional accounts will be activated, or, when required appropriations will be amended or supplemented.



Mary Taylor, CPA
Auditor of State

RADNOR TOWNSHIP

DELAWARE 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
FEBRUARY 7, 2008**