

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



Mary Taylor, CPA

Auditor of State

Board of Township Trustees
Lynn Township
7087 County Road 110
Alger, Ohio 45812

We have reviewed the *Independent Auditors' Report* of Lynn 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. Lynn Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 30, 2010

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Lynn Township
Hardin County, Ohio

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INDEPENDENT AUDITORS' REPORT

Lynn Township
7087 County Road 110
Alger, Ohio 45812

To the Board of Trustees:

We have audited the accompanying financial statements of Lynn 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, GAAP require presenting entity wide statements and also presenting the Government's larger (i.e. major) funds separately. While the Government 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 Governments to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the 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.

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 Lynn 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 described in Note 1.

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 May 6, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.
May 6, 2010

**LYNN TOWNSHIP
HARDIN COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			<u>Fiduciary</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fund Types</u>	
				<u>Private Purpose Trust</u>	<u>(Memorandum Only)</u>
Cash Receipts:					
Property and other local taxes	\$ 34,361	\$ 983	\$ -	\$ -	\$ 35,344
Licenses, permits and fees	-	1,550	-	-	1,550
Intergovernmental	15,913	91,964	28,971	-	136,848
Earnings on investments	187	2,204	-	5	2,396
Miscellaneous	926	1,200	-	-	2,126
Total Cash Receipts	51,387	97,901	28,971	5	178,264
Cash Disbursements:					
Current:					
General government	35,171	-	-	-	35,171
Public safety	10,902	-	-	-	10,902
Public works	-	75,045	-	-	75,045
Health	2,158	1,786	-	5	3,949
Conservation-Recreation	-	1,155	-	-	1,155
Capital Outlay	-	2,045	28,971	-	31,016
Total Cash Disbursements	48,231	80,031	28,971	5	157,238
Total Receipts Over/(Under) Disbursements	3,156	17,870	-	-	21,026
Other Financing Receipts/(Disbursements):					
Other Financing Uses	-	-	-	-	-
Total Other Financing Receipts/(Disbursements)	-	-	-	-	-
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,156	17,870	-	-	21,026
Fund cash balances January 1, 2008	\$ 96,120	\$ 203,426	\$ -	\$ 955	\$ 300,501
Fund cash balances, December 31, 2008	\$ 99,276	\$ 221,296	\$ -	\$ 955	\$ 321,527
Reserve for encumbrance, December 31, 2008	\$ -	\$ -	\$ -	\$ -	\$ -

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

**LYNN TOWNSHIP
HARDIN COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			<u>Fiduciary</u> <u>Fund Types</u>	<u>Total</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Capital</u> <u>Projects</u>	<u>Private Purpose</u> <u>Trust</u>	<u>(Memorandum</u> <u>Only)</u>
Cash Receipts:					
Property and other local taxes	\$ 29,492	\$ 843	\$ -	\$ -	\$ 30,335
Licenses, permits and fees	-	1,500	-	-	1,500
Intergovernmental	16,692	95,065	12,000	-	123,757
Earnings on investments	264	3,287	-	6	3,557
Miscellaneous	445	-	-	-	445
Total Cash Receipts	46,893	100,695	12,000	6	159,594
Cash Disbursements:					
Current:					
General government	50,953	99,906	-	-	150,859
Public safety	10,842	-	-	-	10,842
Public works	-	-	-	-	-
Health	2,245	3,704	-	10	5,959
Conservation-Recreation	-	854	-	-	854
Capital Outlay	-	13,277	12,000	-	25,277
Total Cash Disbursements	64,040	117,741	12,000	10	193,791
Total Receipts Over/(Under) Disbursements	(17,147)	(17,046)	-	(4)	(34,197)
Other Financing Receipts/(Disbursements):					
Other Financing Uses	-	-	-	-	-
Total Other Financing Receipts/(Disbursements)	-	-	-	-	-
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(17,147)	(17,046)	-	(4)	(34,197)
Fund cash balances January 1, 2008	\$ 113,267	\$ 220,472	\$ -	\$ 959	\$ 334,698
Fund cash balances, December 31, 2008	\$ 96,120	\$ 203,426	\$ -	\$ 955	\$ 300,501
Reserve for encumbrance, December 31, 2008	\$ -	\$ -	\$ -	\$ -	\$ -

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

**LYNN 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 Lynn Township, Hardin County, (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township also has an elected Township Fiscal Officer. The Township provides road and bridge maintenance, cemetery, and park maintenance. The Township contracts with Richland Township, Logan County to provide fire services to its residents. The Township contracts with the Volunteer Fire Company of McGuffey, Ohio to provide fire and emergency medical services to its residents.

The Township participates in a 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash and Investments

Demand deposits, savings accounts, and certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund 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 expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

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.

Capital Projects - These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

Township Road 115 Countywide Cold Mix Issue II - This fund received an Ohio Public Works Commission Grant for reconstruction of Township Road 115. The Township was required to pay matching funds.

Community Block Development Grant (CBDG) - This fund received a Community Block Development Grant for repairs and maintenance of Township Road 95.

**LYNN 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, Continued

3. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organization, or other governments which are not available to support the Township's own programs. The Township had the following significant private purpose trust funds:

Rice and Sivet Cemetery Bequest Funds – The principal of each fund is maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donors.

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 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.

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.

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

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	\$ 247,197	\$ 226,286
Savings	950	950
Certificates of deposit	<u>73,380</u>	<u>73,265</u>
	<u>\$ 321,527</u>	<u>\$ 300,501</u>

Deposits

Deposits at December 31, 2009 and 2008 were either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool. Deposits at December 31, 2008 held in a credit union were insured by the National Credit Union Share Insurance Fund.

At December 31, 2008, the Township maintained 7% of its deposits in a credit union which is not an eligible depository per Ohio Rev. Code Section 135.03.

3. BUDGETARY ACTIVITY

2009 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 46,009	\$ 51,387	\$ 5,378
Special Revenue	95,762	97,901	2,139
Capital Projects	0	28,971	8,971
Permanent	<u>5</u>	<u>5</u>	<u>0</u>
Total	<u>\$ 141,776</u>	<u>\$ 178,264</u>	<u>\$ 36,488</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 142,100	\$ 48,231	\$ 93,869
Special Revenue	299,161	80,031	219,130
Capital Projects	0	28,971	(28,971)
Permanent	<u>5</u>	<u>5</u>	<u>0</u>
Total	<u>\$ 441,266</u>	<u>\$ 157,238</u>	<u>\$ 284,028</u>

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

3. BUDGETARY ACTIVITY, Continued

2008 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 45,718	\$ 46,893	\$ 1,175
Special Revenue	105,520	100,695	(4,825)
Capital Projects	0	12,000	12,000
Permanent	4	6	2
Total	<u>\$ 151,242</u>	<u>\$ 159,594</u>	<u>\$ 8,352</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 158,985	\$ 64,040	\$ 94,945
Special Revenue	325,990	117,741	208,249
Capital Projects	0	12,000	(12,000)
Permanent	13	10	3
Total	<u>\$ 484,988</u>	<u>\$ 193,791</u>	<u>\$ 291,197</u>

The excess of expenditures over appropriation authority in the Capital Projects Fund of \$12,000 and \$28,971 in 2008 and 2009, respectively, resulted from failing to report capital projects payments made on behalf of Lynn Township.

Appropriations exceeded actual resources in the Gasoline Fund by \$3,564 and Cemetery Fund by \$1,100 for the year ended December 31, 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.

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

5. RETIREMENT SYSTEMS

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

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

6. RISK MANAGEMENT

Risk Pool Membership

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 provides health coverage for an official through a private carrier.

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 townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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.

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

6. RISK MANAGEMENT, Continued

Financial Position

OTARMA's financial statements (audited by other accountants) are in conformity with generally accepted accounting principals, 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 noted above include approximately \$12.1 million and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 million 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 \$3,400. This payable included 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. The Township's contributions to OTARMA for the past three years are as follows:

	<u>Contributions to OTARMA</u>
2007	\$1,891
2008	\$1,988
2009	\$1,695

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.

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

7. JOINTLY GOVERNED ORGANIZATIONS

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

At December 31, 2008, the Township maintained 7% of its deposits in a credit union where a Township Trustee was a member of the Board of Directors.

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*

Lynn Township
7087 County Road 110
Alger, Ohio 45812
To the Board of Trustees:

We have audited the financial statements of Lynn Township, Hardin County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 6, 2010, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We 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.

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 through 2009-002 described in the accompanying schedule of findings to be material weaknesses.

Internal Control Over Financial Reporting, Continued

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 described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated May 6, 2010.

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 grants, 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 immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated May 6, 2010.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee 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.
May 6, 2010

**LYNN 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

During 2008, a Community Block Development Grant (CBDG) in the amount of \$12,000 was received and disbursed by Hardin County on behalf of the Township. During 2009, an Issue II grant in the amount of \$28,971 was received and disbursed by Hardin County on behalf of the Township. Neither grant was recorded on the Township's accounting records. For both of these grants the Township should have obtained the necessary documentation and recorded all transactions processed on their behalf. Additional reference should be made to Auditor of State Bulletins 2000-008, 2002-004, and 2002-005 regarding the accounting and recording of this type of on-behalf of grant. Auditor of State Bulletin 2000-008 states that a local government should include in its official or amended certificates of estimated resources that amount of Issue II monies anticipated to be received into the project fund during the year, along with its matching requirements, if appropriate. The fund appropriations should include the amount necessary to meet the obligations to be incurred during the fiscal year. If the project is not expected to be completed in the current year, the remainder of the project must be appropriated immediately in the subsequent year(s).

In addition, the Township failed to include the revenues in their Certificate of Estimated Resources amendments for 2008 and 2009. Furthermore, the Township did not appropriate the funding sources for 2008 or 2009, contrary to the above requirements, which caused expenditures to exceed appropriation authority in the Capital Projects Fund for 2008 and 2009. The budgetary variance as disclosed in Note 3 is a result of the Township not budgeting the activity discussed in the Audit Bulletin. The Township should follow the guidance in AOS Bulletin 2000-008 to accurately present the Township's financial activity when State funding or on-behalf funding is received.

The accompanying financial statements were adjusted to accurately present the revenue and expenditure activity for 2008 and 2009.

Officials' Response: On the CDBG Grant and Issue II Grant. I didn't receive a check for this. It was all handled through the County Engineer's office. All I received was an invoice for the amount due which I issued a warrant for. In the future, I will enter the amount into the receipts and charge it back out, then write my warrant for the invoice. I was not aware that I needed to run this through the township records.

FINDING NUMBER 2009-002

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 budget 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 year 2008, appropriations for both the Gasoline Fund and Cemetery exceeded the amount of available resources. 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.

Officials' Response: I will monitor the budget versus actual resources close in the future. If necessary, I will request an increase amended certificate of estimated resources.

**LYNN TOWNSHIP
HARDIN COUNTY
SCHEDULE OF PRIOR AUDIT FINDING
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	ORC Section 135.03 – Eligible depositories	Corrected by December 31, 2009	Reissued as Management Letter Comment



Mary Taylor, CPA
Auditor of State

LYNN 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
JULY 13, 2010