

**Hale Township
Hardin County, Ohio
Financial Statements
December 31, 2007 and 2006**



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, 2006 through December 31, 2007. 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.

Finding for Adjustment:

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036.

By resolution, Ohio Revised Code Section 505.24(C) permits trustees to receive annual salaries instead of per diem payments. When paid by salary, Ohio Revised Code Section 505.24(C) does not prescribe a "documentation of time spent" requirement.

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However, for salaries not paid from the general fund, effective October 19, 2004, OAG Opinion 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. The “administrative procedures” can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

Per the above, trustees must keep records of the time spent on various tasks and the fund to which the township will charge their costs. (The sole exception to this is for trustees charging all salaries to the general fund, as described above.) There is no one method for documenting time and the kinds of services rendered. A diary, time sheets or other methods will suffice if they include the information described above.

For 2006 and 2007, Hale Township allocated trustee salaries, Ohio Public Employees Retirement payments, medical insurance, and Medicare payments to the General Fund and the Gasoline Tax Fund. During 2006, \$36,588.67 of trustees’ salaries (including Ohio Public Employees Retirement, medical insurance, and Medicare payments) were charged to the Gasoline Tax Fund. During 2007, \$38,053.80 of trustees’ salaries (including Ohio Public Employees Retirement, medical insurance, and Medicare payments) were charged to the Gasoline Tax Fund. Records for the time spent on various tasks and the fund to which the township should charge their costs did not support the charges to the Gasoline Tax Fund.

Accordingly, a Finding For Adjustment is issued for the following funds:

2006	Increase Cash <u>Balance</u>	Decrease Cash <u>Balance</u>
General Fund		\$36,588.67
Gasoline Tax Fund	\$36,588.67	

2006	Increase Cash <u>Balance</u>	Decrease Cash <u>Balance</u>
General Fund		\$38,053.80
Gasoline Tax Fund	\$38,053.80	

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We recommend that the Township Board of Trustees adopt a resolution to pay the Trustees by per diem or annual salary and develop appropriate methods for documenting the proportion of expenses that are incurred by the trustees for managing, maintaining and operating the services provided from funds other than the general fund in order to support the proportion of the trustee's salary that is eligible for payment from the fund.

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.

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

Mary Taylor, CPA
Auditor of State

December 8, 2008

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Hale Township
Hardin County, Ohio

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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, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. 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, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Hale Township
Hardin County
Independent Auditor's Report
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In 2006, the Township improperly posted \$36,589 of the Trustees' salary, benefits, and employer payroll taxes to the Gasoline Fund. This disbursement amount was due to be paid from the General Fund. Had the adjustments been posted to the Township's accounting records, the 2006 General Fund expenditures would have increased \$36,589 and the December 31, 2006 General Fund cash balance would have decrease by \$36,589. The 2006 Special Revenue expenditures would have decreased \$36,589 and the December 31, 2006 Special Revenue cash balance would have increased \$36,589.

In 2007, the Township improperly posted \$38,054 of the Trustees' salary, benefits, and employer payroll taxes to the Gasoline Fund. This disbursement amount was due to be paid from the General Fund. Had the adjustments been posted to the Township's accounting records, the 2007 General Fund expenditures would have increased \$38,054 and the December 31, 2007 General Fund cash balance would have decrease by \$38,054. The 2007 Special Revenue expenditures would have decreased \$38,054 and the December 31, 2007 Special Revenue cash balance would have increased \$38,054.

Also, in our opinion, because of the effect of the matters discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in all material respects the combined fund cash balances of Hale Township, Hardin County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated June 16, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not 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 16, 2008

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, 2007

	<u>Governmental Fund Types</u>				<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>(Memorandum Only)</u>
Cash Receipts:					
Local Taxes	\$ 16,327	\$ 27,297			\$ 43,624
Intergovernmental	43,117	97,680	31,921		172,718
Fines, licenses, and permits		5,750			5,750
Interest	6,204	207		48	6,459
Miscellaneous	97	2,069	-	-	2,166
Total Cash Receipts	65,745	133,003	31,921	48	230,717
Cash Disbursements:					
Current:					
General government	25,043	813			25,856
Public health services	6,372	15,584			21,956
Public works		123,680			123,680
Miscellaneous	1,000				1,000
Human Services		9,715			9,715
Capital outlay	468	10,647	31,921	-	43,036
Total Cash Disbursements	32,883	160,439	31,921	-	225,243
Total Receipts over (Under) Disbursements	32,862	(27,436)	-	48	5,474
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	27,862	(22,436)	-	48	5,474
Fund cash balances January 1, 2007	\$ 167,091	\$ 67,420	\$ -	\$ 1,288	\$ 235,799
Fund cash balances, December 31, 2007	<u>\$ 194,953</u>	<u>\$ 44,984</u>	<u>\$ -</u>	<u>\$ 1,336</u>	<u>\$ 241,273</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, 2006

	<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	\$ 15,352	\$ 25,076		\$ 40,428
Intergovernmental	157,681	102,226		259,907
Fines, licenses, and permits		4,550		4,550
Interest	1,362	291	45	1,698
Miscellaneous	394	1,341	-	1,735
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	174,789	133,484	45	308,318
Cash Disbursements:				
Current:				
General government	25,589	801		26,390
Public health services	7,348	16,536		23,884
Public works		113,176		113,176
Miscellaneous	9,799			9,799
Human Services		8,526		8,526
Capital outlay	714	120	-	834
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	43,450	139,159	-	182,609
Total Receipts over (Under) Disbursements	131,339	(5,675)	45	125,709
Other Financing Receipts/(Disbursements):				
Transfers-in	-	12,000		12,000
Transfers-out	(12,000)	-	-	(12,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(12,000)	12,000	-	-
Total of Receipts and Other Sources Over (Under) Disbursements and Other Uses	<hr/>	<hr/>	<hr/>	<hr/>
	119,339	6,325	45	125,709
Fund cash balances, January 1, 2006	\$ 47,752	\$ 61,095	\$ 1,243	\$ 110,090
Fund cash balances, December 31, 2006	<u>\$ 167,091</u>	<u>\$ 67,420</u>	<u>\$ 1,288</u>	<u>\$ 235,799</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, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of 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, 2007 AND 2006**

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, 2007 AND 2006**

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 2007 and 2006 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>2007</u>	<u>2006</u>
Demand deposits	\$124,858	\$124,279
Certificates of deposit	<u>116,415</u>	<u>111,520</u>
Total deposits	<u>\$241,273</u>	<u>\$235,799</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, 2007 AND 2006**

3. BUDGETARY ACTIVITY

<u>2007 Budgeted vs. Actual Receipts</u>				
		Budgeted	Actual	
<u>Fund Type</u>		<u>Receipts</u>	<u>Receipts</u>	<u>Variance</u>
General		\$69,209	\$65,745	(\$3,464)
Special Revenue		150,901	138,003	(12,898)
Permanent		47	48	1
Capital Projects		<u>0</u>	<u>31,921</u>	<u>31,921</u>
Total		<u>\$220,157</u>	<u>\$235,717</u>	<u>\$15,560</u>
<u>2007 Budgeted vs. Actual Budgetary Basis Expenditures</u>				
		Appropriation	Budgetary	
<u>Fund Type</u>		<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
General		\$199,363	\$47,598	\$151,765
Special Revenue		186,074	150,724	35,350
Capital Projects		<u>0</u>	<u>31,921</u>	<u>(31,921)</u>
Total		<u>\$385,437</u>	<u>\$230,243</u>	<u>\$155,194</u>
<u>2006 Budgeted vs. Actual Receipts</u>				
		Budgeted	Actual	
<u>Fund Type</u>		<u>Receipts</u>	<u>Receipts</u>	<u>Variance</u>
General		\$181,155	\$174,789	(\$6,366)
Special Revenue		142,322	145,484	3,162
Permanent		49	45	(4)
Total		<u>\$323,526</u>	<u>\$320,318</u>	<u>(\$3,208)</u>
<u>2006 Budgeted vs. Actual Budgetary Basis Expenditures</u>				
		Appropriation	Budgetary	
<u>Fund Type</u>		<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
General		\$222,344	\$63,976	\$158,368
Special Revenue		178,535	130,633	47,902
Permanent		<u>50</u>	<u>0</u>	<u>50</u>
Total		<u>\$400,929</u>	<u>\$194,609</u>	<u>\$206,320</u>

**HALE TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006**

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 9.5 percent (2007) and 9.0 percent (2006) of their gross salaries. The Township contributed an amount equaling 13.85 percent (2007) and 13.7 percent (2006) of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

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. 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.

**HALE TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006**

6. RISK MANAGEMENT, Continued

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$25,000, up to \$1.75 million per claim and \$10 million in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$250,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2.65 million for each claim and \$10 million in the aggregate per year. Townships can elect additional coverage up to \$10 million with the General Reinsurance Corporation, through contacts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$56 million per year, subject to a per-claim limit of \$2 million (for claims prior to January 1, 2006) or \$3 million (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop loss coverage based upon the combined members' total insurable value. 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 township.

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

**HALE TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006**

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, 2006 and 2005 (the latest information available).

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained Earnings	\$20,587,360	\$18,141,062
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained Earnings	\$9,344,254	\$7,771,765

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 townships in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$6,000. 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>	
2005	\$4,914
2006	\$4,797
2007	\$3,503

**HALE TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006**

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.

9. INTERFUND TRANSFERS

During 2007 the following transfer was made:

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

During 2006 the following transfer was made:

Transfer from the General Fund to:	
Cemetery Fund	\$12,000

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 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, 2007, and December 31, 2006, and have issued our report thereon dated June 16, 2008, wherein we opined the financial statements were not fairly presented since the Township declined to adjust its financial statements or accounting records for improper posting of disbursements. In addition, 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 opinions 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 the normal course of 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting principles such that there more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

**Internal Control Over Financial
Reporting, Continued**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance

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 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 Governmental Auditing Standards, which are described in the accompanying schedule of findings as items 2007-001.

We noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated June 16, 2008.

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.
June 16, 2008

**HALE TOWNSHIP
HARDIN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 and 2006**

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

FINDING NUMBER 2007-01

Noncompliance/Material Weakness

AOS Bulletin 2000-008, (This bulletin updates and combines the guidance provided in prior bulletins on State Issue II grants (MAS Bulletin 89017) and the retainage contracts (MAS 89-11)) state that a local government shall 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).

The Township failed to record the \$31,921 disbursed in 2007 by Ohio Public Works Commission (OPWC) on behalf of Hale Township. In addition, the Township failed to include the OPWC revenues in their Certificate of Estimated Resources amendments. Furthermore, the Township did not appropriate the OPWC funding sources for the year, contrary to the above requirements. 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 financial statements for 2007 and 2006 were adjusted to present the OPWC receipts and expenditures on behalf of the Township.

Township Response: We did not receive a response from officials to this finding.



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
DECEMBER 18, 2008**