

**PRAIRIE TOWNSHIP  
HOLMES COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2008 - 2007**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Prairie Township  
8186 CR189  
Holmesville, Ohio 44633

We have reviewed the *Independent Accountants' Report* of Prairie Township, Holmes County, prepared by Knox & Knox, for the audit period January 1, 2007 through December 31, 2008. 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 Accountants' 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 Accountants' 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. Prairie 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 1, 2009

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PRAIRIE TOWNSHIP  
HOLMES COUNTY

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Accountants and Consultants

## Independent Accountants' Report

Prairie Township  
Holmes County  
8186 CR 189  
Holmesville, Ohio 44633

To the Board of Trustees:

We have audited the accompanying financial statements of Prairie Township, Holmes County, Ohio, (the Township) as of and for the years ended December 31, 2008 and 2007. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, if any, 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 its 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 accounting principles generally accepted in the United States of America, 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, 2008 and 2007. In addition to the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements. 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 new 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 effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 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, 2008 and 2007, 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 fund cash balances of Prairie Township, Holmes County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the basis of accounting 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 our report dated November 4, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

***Knox & Knox***

Orrville, Ohio  
November 4, 2009

PRAIRIE TOWNSHIP  
HOLMES 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

|   | Governmental Fund Types |                    | Totals<br>(Memorandum<br>Only) |
|---|-------------------------|--------------------|--------------------------------|
|   | General                 | Special<br>Revenue |                                |
| <b>CASH RECEIPTS:</b>                               |                         |                    |                                |
| Property and Other Local Taxes                      | \$27,447                | \$209,351          | \$236,798                      |
| Charges for Services                                |                         | 27,110             | 27,110                         |
| Intergovernmental                                   | 26,157                  | 166,626            | 192,783                        |
| Earnings on Investments                             | 8,742                   | 3,282              | 12,024                         |
| Miscellaneous                                       | 8,428                   |                    | 8,428                          |
| Total Cash Receipts                                 | 70,774                  | 406,369            | 477,143                        |
| <b>CASH DISBURSEMENTS</b>                           |                         |                    |                                |
| Current:  |                         |                    |                                |
| General Government                                  | 50,481                  |                    | 50,481                         |
| Public Safety                                       |                         | 82,714             | 82,714                         |
| Public Works  |                         | 229,288            | 229,288                        |
| Health  | 14,229                  | 7,128              | 21,357                         |
| Capital Outlay                                      | 3,000                   | 220,609            | 223,609                        |
| Debt Service:                                       |                         |                    |                                |
| Redemption of Principal                             |                         | 12,000             | 12,000                         |
| Interest/Other Fiscal Charges                       |                         | 323                | 323                            |
| Total Cash Disbursements                            | 67,710                  | 552,062            | 619,772                        |
| Total Cash Receipts Over/(Under) Cash Disbursements | 3,064                   | (145,693)          | (142,629)                      |
| Cash Fund Balances, January 1                       | 77,852                  | 564,340            | 642,192                        |
| <b>CASH FUND BALANCES, DECEMBER 31</b>              | <b>\$80,916</b>         | <b>\$418,647</b>   | <b>\$499,563</b>               |

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

PRAIRIE TOWNSHIP  
HOLMES COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007

|   | Governmental Fund Types |                    | Totals<br>(Memorandum<br>Only) |
|---|-------------------------|--------------------|--------------------------------|
|   | General                 | Special<br>Revenue |                                |
| <b>CASH RECEIPTS:</b>                               |                         |                    |                                |
| Property and Other Local Taxes                      | \$26,713                | \$185,792          | \$212,505                      |
| Charges for Services                                |                         | 27,798             | 27,798                         |
| Intergovernmental                                   | 27,102                  | 510,292            | 537,394                        |
| Earnings on Investments                             | 11,437                  | 2,489              | 13,926                         |
| Miscellaneous                                       | 2,044                   | 6,100              | 8,144                          |
| Total Cash Receipts                                 | 67,296                  | 732,471            | 799,767                        |
| <b>CASH DISBURSEMENTS</b>                           |                         |                    |                                |
| Current:  |                         |                    |                                |
| General Government                                  | 50,757                  |                    | 50,757                         |
| Public Safety                                       |                         | 77,657             | 77,657                         |
| Public Works  |                         | 205,160            | 205,160                        |
| Health  | 11,821                  | 9,293              | 21,114                         |
| Capital Outlay                                      |                         | 194,301            | 194,301                        |
| Debt Service:                                       |                         |                    |                                |
| Redemption of Principal                             |                         | 11,381             | 11,381                         |
| Interest/Other Fiscal Charges                       |                         | 808                | 808                            |
| Total Cash Disbursements                            | 62,578                  | 498,600            | 561,178                        |
| Total Cash Receipts Over/(Under) Cash Disbursements | 4,718                   | 233,871            | 238,589                        |
| Cash Fund Balances, January 1                       | 73,134                  | 330,469            | 403,603                        |
| <b>CASH FUND BALANCES, DECEMBER 31</b>              | <b>\$77,852</b>         | <b>\$564,340</b>   | <b>\$642,192</b>               |

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

PRAIRIE TOWNSHIP  
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

Prairie Township, Holmes 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, cemetery maintenance, and fire protection and emergency medical services.

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 prescribed or permitted by the Auditor of State, 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.

C. **CASH AND INVESTMENTS**

The Township maintains monies in a sweep account, checking account and certificates of deposit. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively.

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 the general operating fund. It is used to account for 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 has the following significant Special Revenue Funds:

*Road and Bridge Fund* - The fund receives property taxes for constructing, maintaining and repairing Township roads and bridges.

PRAIRIE TOWNSHIP  
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

2. **Special Revenue Funds** (continued)

*Gasoline Tax Fund* - This fund receives gasoline tax money for constructing, maintaining, and repairing Township roads.

*Road District Levy Fund* - This fund is used to account for road levy tax money to pay for constructing, maintaining, and repairing Township roads.

*Fire District Fund* - This fund is used to account for tax revenues levied to provide fire protection services to the Township, in addition to revenues generated from charges for services to provide emergency medical services for Township residents.

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 department, division or office level of control, and within each the amount appropriated for personal services. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. **Estimated Resources**

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

3. **Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

PRAIRIE TOWNSHIP  
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**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. The carrying amount of cash and investments at December 31 was as follows:

|                                | 2008             | 2007             |
|--------------------------------|------------------|------------------|
| Demand deposits                | \$397,189        | \$537,377        |
| Certificates of deposit        | 102,374          | 104,815          |
| Total deposits and Investments | <u>\$499,563</u> | <u>\$642,192</u> |

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Township.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2008 and 2007, follows:

| 2008 Budgeted vs. Actual Receipts |                      |                    |                   |
|-----------------------------------|----------------------|--------------------|-------------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance          |
| General                           | \$74,900             | \$70,774           | (\$4,126)         |
| Special Revenue                   | 414,806              | 406,369            | (8,437)           |
| Total                             | <u>\$489,706</u>     | <u>\$477,143</u>   | <u>(\$12,563)</u> |

| 2008 Budgeted vs Actual Budgetary Basis Expenditures |                            |                           |                  |
|--|----------------------------|---------------------------|------------------|
| Fund Type  | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance         |
| General  | \$145,000                  | \$67,710                  | \$77,290         |
| Special Revenue                                      | 934,788                    | 552,062                   | 382,726          |
| Total  | <u>\$1,079,788</u>         | <u>\$619,772</u>          | <u>\$460,016</u> |

| 2007 Budgeted vs. Actual Receipts |                      |                    |                   |
|-----------------------------------|----------------------|--------------------|-------------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance          |
| General                           | \$72,000             | \$67,296           | (\$4,704)         |
| Special Revenue                   | 761,093              | 732,471            | (28,622)          |
| Total                             | <u>\$833,093</u>     | <u>\$799,767</u>   | <u>(\$33,326)</u> |

PRAIRIE TOWNSHIP  
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

3. **BUDGETARY ACTIVITY** (continued)

| Fund Type       | 2007 Budgeted vs Actual Budgetary Basis Expenditures |                           |           |
|-----------------|--|---------------------------|-----------|
|                 | Appropriation<br>Authority                           | Budgetary<br>Expenditures | Variance  |
| General         | \$140,000  | \$62,578                  | \$77,422  |
| Special Revenue | 1,065,968  | 498,600                   | 567,368   |
| Total           | \$1,205,968  | \$561,178                 | \$644,790 |

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 payments for 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 owner, 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, 2008 was as follows:

|                         | Principal | Interest Rate |
|-------------------------|-----------|---------------|
| Tractor and Loader Loan | \$685     | 4.20%         |

A \$54,807 loan was issued in 2004 to finance the purchase of a John Deere tractor and loader to be used for Township road maintenance. The Township will pay this loan in 60 payments of \$1,016 each month.

Amortization of the above debt, including interest, is scheduled as follows:

| For Year Ending<br>December 31: | Principal | Interest | Total |
|---------------------------------|-----------|----------|-------|
| 2009                            | \$685     | \$9      | \$694 |

PRAIRIE TOWNSHIP  
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**6. RETIREMENT SYSTEM**

The Township's employees belong to the Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement 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 2008 and 2007, members contributed 10% and 9.5% of their gross salaries, respectively. The Township contributed an amount equal to 14% (2008) and 13.75% (2007) of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**7. RISK MANAGEMENT**

The Township belongs to the Ohio Government Risk Management Plan (the Plan) a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 governments (Members).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except the plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years. The Pool's Audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31, 2007 and 2006 (the latest information available):

|                 | 2007         | 2006        |
|-----------------|--------------|-------------|
| Assets          | \$11,136,455 | \$9,620,148 |
| Liabilities     | (4,273,553)  | (3,329,620) |
| Member's Equity | \$6,862,902  | \$6,290,528 |

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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Accountants and Consultants

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

Prairie Township  
Holmes County  
8186 CR 189  
Holmesville, Ohio 44633

To the Board of Trustees:

We have audited the accompanying financial statements of Prairie Township, Holmes County, Ohio (the Board) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated November 4, 2009, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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.

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 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. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we noted other matters that we reported to the Township's management in a separate letter dated November 4, 2009.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Township's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

KNOX & KNOX

Orrville, Ohio  
November 4, 2009



**Mary Taylor, CPA**  
Auditor of State

**PRAIRIE TOWNSHIP**

**HOLMES 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 15, 2009**