

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

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Mary Taylor, CPA

Auditor of State

Board of Trustees
Blanchard Township
2682 CR 159
Dunkirk, Ohio 45836

We have reviewed the *Independent Auditors' Report* of Blanchard 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. Blanchard 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

October 19, 2010

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Blanchard Township
Hardin County, Ohio

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CERTIFIED PUBLIC
ACCOUNTANTS +
BUSINESS ADVISORS

Keith O. Applegate, CPA
Kathleen M. Hughes, CPA
Richard R. Taylor, CPA
(1931-1998)
Julie L. Griffin, CPA
Kristi L. Leeth, CPA
Valerie Friley Walker, CPA
Sara M. Bratka, CPA

INDEPENDENT AUDITORS' REPORT

Blanchard Township
2682 CR 159
Dunkirk, OH 45836

To the Board of Trustees:

We have audited the accompanying financial statements of Blanchard Township, Hardin County, Ohio, (the Township), as of and for the years ended December 31, 2008 and 2009. 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.

Revision to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. While the township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated

under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effect of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

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 Blanchard Township, Hardin County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2009 and 2008. 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 21, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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.
July 21, 2010

**BLANCHARD 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>Total</u> |
|--|--------------------------------|----------------------------|-----------------------------|------------------|--------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Permanent</u> | <u>(Memorandum Only)</u> |
| Cash Receipts: | | | | | |
| Property and other local taxes | \$ 48,002 | \$ 30,674 | | \$ - | \$ 78,676 |
| Licenses, permits and fees | 175 | 6,168 | | | 6,343 |
| Intergovernmental | 24,759 | 97,266 | 25,654 | | 147,679 |
| Earnings on investments | 199 | 191 | | 48 | 438 |
| Miscellaneous | <u>5,740</u> | <u>9,115</u> | <u>-</u> | <u>-</u> | <u>14,855</u> |
| Total Cash Receipts | 78,875 | 143,414 | 25,654 | 48 | 247,991 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General government | 77,809 | | | | 77,809 |
| Public works | | 65,073 | | | 65,073 |
| Health | | 37,370 | | | 37,370 |
| Capital Outlay: | <u>-</u> | <u>-</u> | <u>25,654</u> | <u>-</u> | <u>25,654</u> |
| Total Cash Disbursements | <u>77,809</u> | <u>102,443</u> | <u>25,654</u> | <u>-</u> | <u>205,906</u> |
| Total receipts over/(under) disbursements | <u>1,067</u> | <u>40,971</u> | <u>-</u> | <u>48</u> | <u>42,085</u> |
| Fund cash balances January 1, 2009 | \$ 164,588 | \$ 185,785 | \$ - | \$ 4,016 | \$ 354,389 |
| Fund cash balances, December 31, 2009 | <u>\$ 165,655</u> | <u>\$ 226,756</u> | <u>\$ -</u> | <u>\$ 4,064</u> | <u>\$ 396,474</u> |
| Reserve for encumbrance, December 31, 2009 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

**BLANCHARD 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>Total</u> |
|--|--------------------------------|----------------------------|------------------|------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Permanent</u> | <u>(Memorandum Only)</u> |
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$ 47,716 | \$ 32,414 | | \$ 80,130 |
| Licenses, Permits, and Fees | 175 | 8,413 | | 8,588 |
| Intergovernmental | 25,549 | 104,928 | | 130,477 |
| Earnings on Investments | 640 | 616 | 80 | 1,336 |
| Miscellaneous | 1,778 | 2,997 | - | 4,775 |
| Total Cash Receipts | 75,858 | 149,368 | 80 | 225,306 |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General government | 76,784 | - | | 76,784 |
| Public Works | - | 54,684 | | 54,684 |
| Health | - | 38,667 | | 38,667 |
| Capital Outlay | - | 52,399 | - | 52,399 |
| Total Cash Disbursements | 76,784 | 145,750 | - | 222,534 |
| Total receipts over/(under) disbursements | (926) | 3,618 | 80 | 2,772 |
| Fund cash balances, January 1, 2008 | \$ 165,514 | \$ 182,167 | \$ 3,936 | \$ 351,617 |
| Fund cash balances, December 31, 2008 | <u>\$ 164,588</u> | <u>\$ 185,785</u> | <u>\$ 4,016</u> | <u>\$ 354,389</u> |
| Reserve for encumbrance, December 31, 2008 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

**BLANCHARD 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 Blanchard 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 Village of Dunkirk to provide ambulance 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 Organizations:

Blanchard Dunkirk Joint Ambulance District – provides ambulance services within the District.

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.

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

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.

3. Permanent Funds

These funds account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposed 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.

4. Capital Project Funds

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:

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

4. Capital Project Funds, continued

Township Road 145 Reconstruction - This fund received an Ohio Public Works Commission Grant for reconstruction of Township Road 145. The Township was required to pay matching funds.

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.

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:

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

2. EQUITY IN POOLED CASH AND INVESTMENTS, Continued

| | <u>2009</u> | <u>2008</u> |
|-------------------------|------------------|------------------|
| Demand Deposits | \$393,764 | \$351,679 |
| Certificates of deposit | <u>2,710</u> | <u>2,710</u> |
| Total | <u>\$396,474</u> | <u>\$354,389</u> |

Deposits

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

3. BUDGETARY ACTIVITY

2009 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|------------------------------|----------------------------|-----------------|
| General | \$76,503 | \$78,875 | \$2,372 |
| Special Revenue | 145,308 | 143,414 | (1,894) |
| Capital Project | -0- | 25,654 | 25,654 |
| Permanent | <u>65</u> | <u>48</u> | <u>(17)</u> |
| Total | <u>\$221,876</u> | <u>\$247,991</u> | <u>\$26,115</u> |

2009 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|------------------|------------------------------------|-----------------------------------|------------------|
| General | \$241,000 | \$77,809 | \$163,191 |
| Special Revenue | 324,000 | 102,443 | 221,557 |
| Capital Project | -0- | 25,654 | (25,654) |
| Permanent | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Total | <u>\$565,000</u> | <u>\$205,906</u> | <u>\$359,094</u> |

2008 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|------------------------------|----------------------------|-----------------|
| General | \$76,320 | \$75,858 | \$(462) |
| Special Revenue | 141,235 | 149,368 | 8,133 |
| Permanent | <u>62</u> | <u>80</u> | <u>18</u> |
| Total | <u>\$217,617</u> | <u>\$225,306</u> | <u>\$7,689</u> |

2008 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|------------------|------------------------------------|-----------------------------------|------------------|
| General | \$232,600 | \$76,784 | \$155,816 |
| Special Revenue | 288,000 | 145,750 | 142,250 |
| Permanent | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Total | <u>\$520,600</u> | <u>\$222,534</u> | <u>\$298,066</u> |

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

3. BUDGETARY ACTIVITY, Continued

The excess of expenditures over appropriation authority in the Capital Projects Fund of \$25,654 in 2009 resulted from failing to report capital projects payments made on behalf of Blanchard Township.

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 February 10. The second half payment is due the following July 20.

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

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

5. 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. 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.

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

6. RISK MANAGEMENT, Continued

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.

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 | <u>(12,981,818)</u> | <u>(13,357,837)</u> |
| 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 \$6,100. This payable included the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

6. RISK MANAGEMENT, Continued

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

| | <u>Contributions to OTARMA</u> |
|------|--------------------------------|
| 2007 | \$3,167 |
| 2008 | \$3,425 |
| 2009 | \$3,047 |

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.

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.

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CERTIFIED PUBLIC
ACCOUNTANTS +
BUSINESS ADVISORS

- Keith O. Applegate, CPA
- Kathleen M. Hughes, CPA
- Richard R. Taylor, CPA
(1931-1998)
- Julie L. Griffin, CPA
- Kristi L. Leeth, CPA
- Valerie Friley Walker, CPA
- Sara M. Bratka, CPA

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

Blanchard Township
2682 CR 159
Dunkirk, OH 45836

To the Board of Trustees:

We have audited the financial statements of Blanchard Township, Hardin County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 21, 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 2009-01 through 2009-02 described in the accompanying schedule of findings to be material weaknesses.

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

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 July 21, 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 2009-01 and 2009-02.

We noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated July 21, 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.
July 21, 2010

**BLANCHARD 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 2009-01

Noncompliance/Material Weakness

During 2009, an Issue II grant in the amount of \$25,654 was received and disbursed by Ohio Public Works Commission on behalf of the Township. The grant was not recorded on the Township's accounting records. For this grant 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 2009. Furthermore, the Township did not appropriate the funding sources for 2009, contrary to the above requirements, which caused expenditures to exceed appropriation authority in the Capital Projects Fund for 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 for 2009 were adjusted to present the OPWC receipts and expenditures on behalf of the Township.

Township Response: The Township did not have a response.

FINDING NUMBER 2009-02

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 2009, appropriations for the Gasoline Fund 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.

Township Response: The Township did not have a response.

**BLANCHARD 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 Sec 9.387 – Timing of depositing funds after receipt | Yes | Corrected |



Mary Taylor, CPA
Auditor of State

BLANCHARD TOWNSHIP

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 4, 2010**