



Mary Taylor, CPA
Auditor of State

**PATTERSON TOWNSHIP
DARKE COUNTY**

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Mary Taylor, CPA
Auditor of State

Patterson Township
Darke County
P.O. Box 178
Osgood, Ohio 45351

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

May 21, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Patterson Township
Darke County
P.O. Box 178
Osgood, Ohio 45351

To the Board of Trustees:

We have audited the accompanying financial statements of Patterson Township, Darke County, (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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships 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, 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.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Patterson Township, Darke 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.

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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 May 21, 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 opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

May 21, 2008

**PATTERSON TOWNSHIP
DARKE 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**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$18,071	\$92,072	\$110,143
Intergovernmental	81,114	109,857	190,971
Earnings on Investments	6,856	2,950	9,806
Other	1,574		1,574
Total Cash Receipts	<u>107,615</u>	<u>204,879</u>	<u>312,494</u>
Cash Disbursements:			
Current:			
General Government	45,054		45,054
Public Safety	189	74,026	74,215
Public Works	51,224	135,358	186,582
Health	5,902		5,902
Capital Outlay		418	418
Total Cash Disbursements	<u>102,369</u>	<u>209,802</u>	<u>312,171</u>
Total Receipts Over/(Under) Disbursements	5,246	(4,923)	323
Fund Cash Balances, January 1	<u>73,825</u>	<u>56,304</u>	<u>130,129</u>
Fund Cash Balances, December 31	<u><u>\$79,071</u></u>	<u><u>\$51,381</u></u>	<u><u>\$130,452</u></u>

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

**PATTERSON TOWNSHIP
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$17,610	\$90,141	\$107,751
Intergovernmental	58,139	100,408	158,547
Earnings on Investments	2,889	2,528	5,417
Other	48	360	408
Total Cash Receipts	<u>78,686</u>	<u>193,437</u>	<u>272,123</u>
Cash Disbursements:			
Current:			
General Government	42,786		42,786
Public Safety	189	50,048	50,237
Public Works		147,023	147,023
Health	5,811	21,078	26,889
Total Cash Disbursements	<u>48,786</u>	<u>218,149</u>	<u>266,935</u>
Total Receipts Over/(Under) Disbursements	29,900	(24,712)	5,188
Fund Cash Balances, January 1	<u>43,925</u>	<u>81,016</u>	<u>124,941</u>
Fund Cash Balances, December 31	<u><u>\$73,825</u></u>	<u><u>\$56,304</u></u>	<u><u>\$130,129</u></u>

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

**PATTERSON TOWNSHIP
DAKRE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
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 Patterson Township, Darke County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, and cemetery maintenance. The Township contracts with the Osgood Community Fire Co., Inc. to provide fire services and Osgood Area Rescue Squad, to provide ambulance services.

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

B. Accounting Basis

These financial statements follow the accounting basis 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

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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 receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

**PATTERSON TOWNSHIP
DAKRE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Levy Fund – This fund receives property tax money to provide respective services for the Township.

Motor Vehicle License Tax Fund – This fund receives motor vehicle license money to pay for constructing, maintaining and repairing Township roads.

Rescue Levy Fund – This fund receives the proceeds of a property tax levy for the purpose of emergency medical service.

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/object level of control and appropriations may not exceed estimated resources. 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 canceled, and reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

**PATTERSON TOWNSHIP
DAKRE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2007	2006
Demand deposits	\$35,285	\$9,490
Total deposits	35,285	9,490
STAR Ohio	95,167	120,639
Total investments	95,167	120,639
Total deposits and investments	\$130,452	\$130,129

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$98,320	\$107,615	\$9,295
Special Revenue	180,900	204,879	23,979
Total	\$279,220	\$312,494	\$33,274

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$178,600	\$102,369	\$76,231
Special Revenue	230,573	209,802	20,771
Total	\$409,173	\$312,171	\$97,002

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,620	\$78,686	\$37,066
Special Revenue	178,000	193,437	15,437
Total	\$219,620	\$272,123	\$52,503

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$85,500	\$48,786	\$36,714
Special Revenue	258,790	218,149	40,641
Total	\$344,290	\$266,935	\$77,355

**PATTERSON TOWNSHIP
DAKRE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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 employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans benefits, which include postretirement healthcare and survivor and disability benefits.

For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

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

**PATTERSON TOWNSHIP
DAKRE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. RISK MANAGEMENT (Continued)

A. Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

B. 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. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

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

C. Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

**PATTERSON TOWNSHIP
DAKRE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. RISK MANAGEMENT (Continued)

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$2,652. This payable includes 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.

Contributions to OTARMA	
2005	\$3,501
2006	3,556
2007	2,821

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.



Mary Taylor, CPA

Auditor of State

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

Patterson Township
Darke County
P.O. Box 178
Osgood, Ohio 45351

To the Board of Trustees:

We have audited the financial statements of the Patterson Township, Darke County, (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 21, 2008, 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 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 audit procedures for expressing our opinion 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.

Our consideration of 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 significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-003.

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.

**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 would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above as finding number 2007-003, is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated May 21, 2008.

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, and contracts, 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 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 2007-001 through 2007-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 21, 2008.

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 the management and Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 21, 2008

**PATTERSON TOWNSHIP
DARKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Finding For Recovery

Ohio Rev. Code Section 505.60(C) states if any township officer or employee is denied coverage under a health care plan procured under division (B) of this section or if any township officer or employee elects not to participate in the township's health care plan, the township may reimburse the officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of this section that the officer or employee otherwise obtains, but not to exceed an amount equal to the average premium paid by the township for its officers and employees under policies it procures under division (B) of this section.

Attorney General Opinion 2005-038 concluded that, pursuant to Ohio Rev. Code Section 505.60(C), a board of trustees may reimburse a township officer or employee for the out-of-pocket premiums attributable to that officer or employee for health care coverage under insurance policies described in Ohio Rev. Code Section 505.60(A) if the officer or employee is denied health care coverage under a policy procured by the township under Ohio Rev. Code Section 505.60(B), or if the officer or employee elects not to participate in the township's health care plan. The policies described in 505.60(A) do not include family coverage. Therefore, the township should not reimburse for premium costs attributable to the spouse or dependents of an officer or employee.

The Township mistakenly believed that it could reimburse its officers/employees for the out-of-pocket premium associated with family coverage. As stated above, a township may only reimburse an officer/employee for the premium attributable to that officer/employee. All such warrants for reimbursement for out-of-pocket premiums were signed by the Trustees and the Fiscal Officer.

The Township reimbursed Trustee Kenneth Bohman for out-of-pocket premiums for family coverage in the total amount of \$12,360 in 2007 and \$11,200 in 2006.

In 2007, Kenneth Bohman's allowable out-of-pocket expenses were the amount of the single coverage amount through his insurer Darke County United Farmers Insurance in the amount of \$6,180. Therefore, the Township reimbursement exceeded his allowable out-of-pocket premium expenses in the amount of \$6,180.

In 2006, Kenneth Bohman's allowable out-of-pocket expenses were the amount of the single coverage amount through his insurer Darke County United Farmers Insurance in the amount of \$5,620. Therefore, the Township reimbursement exceeded his allowable out-of-pocket premium expenses in the amount of \$5,580.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Kenneth Bohman, Patterson Township Trustee, in the total amount of \$11,760 in favor of Patterson Township allocated to the general fund in the amount of \$2,940 and the Gas Tax fund in the amount of \$8,820.

The 2007 expenditures in the amount of \$12,360 and the 2006 expenditures in the amount of \$11,200 paid to Trustee Bohman, were approved by Trustee Samuel Pohlman and Trustee Steven Puthoff. The out-of-pocket expense reimbursements in 2007 and 2006 were processed and paid by Fiscal Officer Paul Albers.

**FINDING NUMBER 2007-001
(Continued)**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074, Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Accordingly, a Finding for Recovery is hereby issued against Township Fiscal Officer Paul Albers, Township Trustee Samuel Pohlman, Township Trustee Steven Puthoff, and their bonding company the Ohio Township Association Risk Management Authority, jointly and severally, in the amount of \$11,760 and in favor of Patterson Township. Trustees Samuel Pohlman and Steven Puthoff, Fiscal Officer Paul Albers, and Ohio Township Association Risk Management Authority shall be secondarily liable to the extent that recovery or restitution is not obtained from Kenneth Bohman.

Officials Response:

Officials did not respond to this finding.

FINDING NUMBER 2007-002

Finding For Recovery

Ohio Rev. Code Section 505.60(C) states if any township officer or employee is denied coverage under a health care plan procured under division (B) of this section or if any township officer or employee elects not to participate in the township's health care plan, the township may reimburse the officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of this section that the officer or employee otherwise obtains, but not to exceed an amount equal to the average premium paid by the township for its officers and employees under policies it procures under division (B) of this section.

Township records document that Paul Albers participated in the Township's group health care coverage in the years 2006 and 2007. Therefore, Mr. Albers was not eligible for reimbursement for out-of-pocket premiums for Medicare coverage.

Although the township should not reimburse for premium costs attributable to the spouse or dependents of an officer or employee if an employee participates in the Township group health care coverage, the Township mistakenly believed that it could reimburse its officers/employees for the out-of-pocket premiums associated with additional coverage for the officer/employee and family coverage. All such warrants for reimbursement for out-of-pocket premiums were signed by the Trustees and the Fiscal Officer.

The Township reimbursed Patterson Township Fiscal Officer Paul Albers in the amounts of \$3,366 for 2007 and \$3,009 for 2006 for a total amount of \$6,375.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Paul Albers, Patterson Township Fiscal Officer, in the total amount of \$6,375 in favor of the Patterson Township General Fund.

**FINDING NUMBER 2007-002
(Continued)**

The 2007 expenditures of \$3,366 and the 2006 expenditures of \$3,009 paid to Fiscal Officer Paul Albers were approved by Trustee Samuel Pohlman, Trustee Steven Puthoff and Trustee Kenneth Bohman. The out-of-pocket expense reimbursements in 2007 and 2006 were processed and paid by Fiscal Officer Paul Albers.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074, Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Accordingly, a Finding for Recovery is hereby issued against Township Trustees Samuel Pohlman, Steven Puthoff, Kenneth Bohman and their bonding company, the Ohio Township Association Risk Management Authority, jointly and severally, in the amount of \$6,375 and in favor of Patterson Township. Trustees Samuel Pohlman, Steven Puthoff, Kenneth Bohman, and the Ohio Township Association Risk Management Authority shall be secondarily liable to the extent that recovery or restitution is not obtained from Paul Albers.

Officials Response:

Officials did not respond to this finding.

FINDING NUMBER 2007-003

Noncompliance Citation / Material Weakness

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section states that the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid only from the township general fund or from funds in proportions as the board may specify by resolution.

In addition, **2004 Op. Atty. Gen. No 04-036** requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered if the salaries are going to be charged to funds other than the township general fund. 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.

In 2006 the Trustees salaries were paid from the Gas Tax fund and no records were maintained to support the time spent on road projects and other Township matters. The accompanying financial statements include the required adjustments to allocate the time spent in 2006 on general township matters to the general fund.

Failure to maintain documentation of time spent by the Trustees on each duty and the funds to which the time is to be charged may result in significant adjustments being made to the Township's fund balances in future years.

**FINDING NUMBER 2007-003
(Continued)**

We recommend the Township adopt formal administrative procedures in regards to documenting the time spent by Trustees on various duties and the funds to which each task should be charged so that their salaries may be allocated to the Township's funds according to the portion of time spent on related matters. The documentation of time spent should be turned in to the Fiscal Officer in a timely manner each month so that salaries and fringe benefits can be allocated properly to the Township's funds. The township should also adopt a resolution specifying that the Township will allocate salaries based upon documentation submitted by each Trustee.

Official's Response:

The Township is working on a method to document Trustee's time to allocate salaries to other funds.

FINDING NUMBER 2007-004

Noncompliance Citation

Ohio Adm. Code Section 117-2-02(C) (1) states that all local public offices should integrate the budgetary accounts, at the legal level of control into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

During both 2007 and 2006 the Township Fiscal Officer did not adjust their unencumbered balances in the appropriation ledger after each expenditure transaction. The failure to monitor available appropriations could result in the failure to detect that commitments are in excess of available appropriations. In addition, the Fiscal Officer did not maintain the receipt ledgers by adjusting the outstanding budgeted revenue as revenue was received. The failure to properly maintain the appropriation and receipt ledgers does not allow the Trustees to monitor budgeted versus actual information to determine the Township's year to date performance.

The Township Fiscal Officer should maintain accurate and up to date appropriation and receipt ledgers by posting transactions promptly to the appropriate accounts and maintaining the current balance in each account.

Official's Response:

Officials did not respond to this finding.



Mary Taylor, CPA
Auditor of State

PATTERSON TOWNSHIP

DARKE 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
AUGUST 5, 2008**