



**Mary Taylor, CPA**  
Auditor of State



**BERN TOWNSHIP  
ATHENS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings .....	15
Schedule of Prior Audit Findings .....	25

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Mary Taylor, CPA  
Auditor of State

Bern Township  
Athens County  
17959 Plantsville Road  
Chesterhill, Ohio 45728

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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

August 2, 2010

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Bern Township  
Athens County  
17959 Plantsville Road  
Chesterhill, Ohio 45728

To the Board of Trustees:

We have audited the accompanying financial statements of Bern Township, Athens County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as described in paragraph six, 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 require 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.

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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, 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.

The Township did not provide adequate supporting documentation for non-payroll expenditures recorded in the General Fund in 2008, nor were we able to satisfy ourselves as to the completeness of those non-payroll expenditures by other auditing expenditures. These non-payroll expenditures represent 31 percent of the non-payroll expenditures of the General Fund for the year ended December 31, 2008.

In addition, the Township did not adjust the 2009 or 2008 financial statements to reflect prior findings for adjustment, from 2007, that would reduce the General Fund cash balance by \$33,554, increase the Gasoline Tax Fund cash balance by \$29,952, and increase the Cemetery Fund cash balance by \$3,602. The Gasoline Tax and Cemetery Funds are reported within the Special Revenue Fund type.

In our opinion, because of the effects on the General Fund of the December 31, 2009 and 2008 fund cash balance misstatements described in paragraph seven, the financial statements referred to above do not present fairly, in all material respects, the combined cash fund balances of the General Fund of Bern Township, Athens County, as of December 31, 2009 and 2008, or its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes. In addition, had the cash balances not been materially misstated, we would have been unable to express an opinion on the General Fund for the year ended December 31, 2008 because of the matter described in paragraph six.

Also in our opinion, because of the effects on the Special Revenue Funds of the December 31, 2009 and 2008 fund cash balance misstatements described in paragraph seven, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances of the Special Revenue Funds of Bern Township, Athens 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 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 August 2, 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. 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.



**Mary Taylor, CPA**  
Auditor of State

August 2, 2010



**BERN TOWNSHIP  
ATHENS 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>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 31,290	\$ 49,838	\$ 81,128
Intergovernmental	11,639	110,367	122,006
Licenses, Permits, and Fees	37	5,525	5,562
Earnings on Investments	56	165	221
Miscellaneous	1,379	4,850	6,229
	<u>44,401</u>	<u>170,745</u>	<u>215,146</u>
<b>Total Cash Receipts</b>			
	<u>44,401</u>	<u>170,745</u>	<u>215,146</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	35,041	2,243	37,284
Public Safety		10,975	10,975
Public Works		166,347	166,347
Health		27,137	27,137
Capital Outlay	274	26,324	26,598
	<u>35,315</u>	<u>233,026</u>	<u>268,341</u>
<b>Total Cash Disbursements</b>			
	<u>35,315</u>	<u>233,026</u>	<u>268,341</u>
Total Cash Receipts Over/(Under) Cash Disbursements	9,086	(62,281)	(53,195)
Fund Cash Balances, January 1	6,315	159,835	166,150
	<u>6,315</u>	<u>159,835</u>	<u>166,150</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 15,401</u>	<u>\$ 97,554</u>	<u>\$ 112,955</u>

**BERN TOWNSHIP  
ATHENS 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>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 28,222	\$ 46,914	\$ 75,136
Intergovernmental	12,505	109,760	122,265
Licenses, Permits, and Fees		4,025	4,025
Earnings on Investments	132	273	405
Miscellaneous	6,426	6,605	13,031
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	47,285	167,577	214,862
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
General Government	53,795	2,942	56,737
Public Safety		9,870	9,870
Public Works		93,016	93,016
Health	1,024	7,305	8,329
Capital Outlay		15,080	15,080
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	54,819	128,213	183,032
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(7,534)	39,364	31,830
Fund Cash Balances, January 1	13,849	120,471	134,320
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 6,315</u></b>	<b><u>\$ 159,835</u></b>	<b><u>\$ 166,150</u></b>

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

**BERN TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
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 the Bern Township, Athens 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, cemetery maintenance, and fire protection.

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**

All cash assets of the Township are maintained in an interest bearing checking account.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash 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 Fund:

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

**BERN TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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 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. The Township did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 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.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Equity in Pooled Deposits**

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$ 112,955	\$ 166,150

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

**BERN TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$52,400	\$44,401	(\$7,999)
Special Revenue	162,550	170,745	8,195
Total	\$214,950	\$215,146	\$196

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,535	\$35,315	\$25,220
Special Revenue	245,037	233,026	12,011
Total	\$305,572	\$268,341	\$37,231

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,600	\$47,285	\$3,685
Special Revenue	159,700	167,577	7,877
Total	\$203,300	\$214,862	\$11,562

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$53,921	\$54,819	(\$898)
Special Revenue	197,668	128,213	69,455
Total	\$251,589	\$183,032	\$68,557

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire District Fund by \$1,100, the Road District Fund by \$6,282 and the Permissive Motor Vehicle License Fund by \$750 for the year ended December 31, 2009 and in the General Fund by \$898 for the year ended December 31, 2008. Also, during 2009 and 2008, budgetary expenditures exceeded the appropriation authority in several line items. Also, contrary to Ohio law, appropriations exceeded actual resources in the General Fund by \$4,324 and in the Motor Vehicle License Tax Fund by \$1,358 for the year ended December 31, 2009 and in the Fire District Fund by \$259 and the Road District Fund by \$243 for the year ended December 31, 2008.

**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.

**BERN TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**4. Property Tax (Continued)**

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 System**

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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

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

**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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments 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.

**BERN TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**6. Risk Management (Continued)**

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) conform with generally accepted accounting principles, 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 above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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.

<b><u>Contributions to OTARMA</u></b>	
2008	\$3,296
2009	\$3,207

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide 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.

**BERN TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**6. Risk Management (Continued)**

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*

Bern Township  
Athens County  
17959 Plantsville Road  
Chesterhill, Ohio 45728

To the Board of Trustees:

We have audited the financial statements of Bern Township, Athens County, Ohio (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 disclaimed an opinion on the 2008 General Fund financial statements because we were unable to satisfy ourselves to the completeness of the non-payroll expenditures. In addition, we issued an adverse opinion on the General and Special Revenue Funds because the Township declined to adjust its financial statements or accounting records for prior audit findings for adjustments. These adjustments result in a material misstatement of General Fund, Gasoline Tax Fund (a Special Revenue Fund), and Cemetery Fund (a Special Revenue Fund) cash balances as of December 31, 2009 and 2008. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 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.

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements.

A material weakness is a deficiency, or a 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 timely corrected. We consider findings 2009-005 through 2009-007 described in the accompanying Schedule of Findings to be material weaknesses.

### **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 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2009-001 through 2009-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 2, 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 Board of Trustees and other within the Township. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

August 2, 2010

**BERN TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

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

**FINDING NUMBER 2009-001**

**Noncompliance Citation**

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This Section is amplified by Ohio Attorney General (OAG) Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion No. 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered.

The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) 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.

During 2008, the Board of Trustees did establish administrative procedures to document how they spent their time; however, the Board of Trustees were not paid in accordance with the Fund allocations documented in their timesheets. The Board of Trustees were paid \$7,440 from the Road and Bridge Fund and \$2,098 from the Cemetery Fund. According to their timesheets, these charges should have been allocated to the General Fund.

The Fiscal Officer has posted these adjustments to the Township's records, and therefore, these adjustments are reflected in the accompanying financial statements.

We recommend the Board of Trustees salaries and benefits be paid from the appropriate funds in accordance with their timesheets.

**FINDING NUMBER 2009-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

For the year ending December 31, 2009 and 2008, appropriations exceeded the actual resources in the following funds:

**BERN TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2009-002 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 5705.36(A)(4) (Continued)**

<u>Fund</u>	<u>Actual Resources</u>	<u>Appropriation Authority</u>	<u>Variance</u>
<b>2009</b>			
General	\$56,211	\$60,535	(\$4,324)
Motor Vehicle License Tax	18,642	20,000	(1,358)
<b>2008</b>			
Fire District	\$11,341	\$11,600	(\$259)
Road District	10,477	10,720	(243)

This could cause the Township to spend more money than is available to spend.

We recommend the Township obtain an amended certificate when needed to reduce or increase available resources. In addition, we recommend the Township, through resolution, reduce their appropriations as needed when available resources are reduced.

**FINDING NUMBER 2009-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been appropriated.

For the year ending December 31, 2009 and 2008, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
<b>2009</b>			
Fire District	\$10,119	\$11,219	(\$1,100)
Road District	9,000	15,282	(6,282)
Permissive Motor Vehicle License	1,700	2,450	(750)
<b>2008</b>			
General	\$53,921	\$54,819	(\$898)

Also, for the year ending December 31, 2009, expenditures exceeded appropriations in the following line items, the Township's legal level of control:

**BERN TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2009-003 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41(B) (Continued)**

Fund/Object/Line Item	Appropriation Authority	Actual Expenditures	Variance
General - Dental Insurance	\$1,500	\$3,685	(\$2,185)
General - Tax Collection Fees	1,000	1,955	(955)
General - Advertising	100	228	(128)
Motor Vehicle License Tax - Operating Supplies	5,000	6,500	(1,500)
Gasoline Tax - Medical/Hospitalization	0	1,999	(1,999)
Gasoline Tax - Salaries Trustees	0	1,380	(1,380)
Gasoline Tax - Other Salaries	26,000	30,993	(4,993)
Gasoline Tax - OPERS	4,500	5,916	(1,416)
Gasoline Tax - Unemployment	10	2,353	(2,343)
Gasoline Tax - Operating Supplies	30,000	47,892	(17,892)
Road and Bridge - Salaries Trustees	12,735	15,229	(2,494)
Road and Bridge - Other Salaries	0	1,329	(1,329)
Road and Bridge - Liability Insurance Premiums	500	3,010	(2,510)
Road and Bridge - Operating Supplies	1,000	1,415	(415)
Cemetery - Salaries Trustees	5,094	6,506	(1,412)
Cemetery - Contracted Services	2,000	6,000	(4,000)
Cemetery - Liability Insurance Premiums	2,500	3,093	(593)
Cemetery - Operating Supplies	2,000	3,913	(1,913)
Road District - Supplies and Materials	8,800	15,060	(6,260)
Fire District - Political Subdivisions	9,869	10,975	(1,106)
Permissive Motor Vehicle License Tax - Operating Supplies	1,700	2,450	(750)

**BERN TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2009-003 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41(B) (Continued)**

For the year ending December 31, 2008, expenditures exceeded appropriations in the following line items, the Township's legal level of control:

Fund/Object/Line Item	Appropriation Authority	Actual Expenditures	Variance
General - OPERS	\$2,000	\$3,844	(\$1,844)
General - Medical/Hospitalization	0	5,406	(5,406)
General - Auditing Services	3,000	3,222	(222)
General - Election Expense	0	268	(268)
General - Office Supplies	700	832	(132)
General - Other Dues and Fees	0	55	(55)
General - Other Expenses	500	863	(363)
General - Political Subdivision	0	1,024	(1,024)
Gasoline Tax - Medical/Hospitalization	0	2,718	(2,718)
Gasoline Tax - Other Salaries	15,000	15,678	(678)
Gasoline Tax - Operating Supplies	20,000	23,708	(3,708)
Gasoline Tax - Other Expenses	0	4,800	(4,800)
Road and Bridge - Salaries Trustees	0	3,133	(3,133)
Road and Bridge - Other Salaries	5,000	10,113	(5,113)
Cemetery - Salaries Trustees	2,454	2,769	(315)
Cemetery - Liability Insurance Premiums	1,000	1,731	(731)
Road District - Election Expense	0	111	(111)

This could result in deficit fund balances.

We recommend the Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**FINDING NUMBER 2009-004**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

**BERN TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

**FINDING NUMBER 2009-004 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

"Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for fifty percent (50%) of the expenditures tested in 2009 and fifteen percent (15%) in 2008, and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Township Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

**BERN TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2009-004 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Ohio Rev. Code Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs the commitment, and only when the requirements of Ohio Rev. Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**FINDING NUMBER 2009-005**

**Material Weakness**

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, 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.

At December 31, 2009, estimated receipts as certified by the County Budget Commission did not agree to the Township's ledgers or the budgetary statements for the following funds:

Fund	Estimated Receipts per County Budget Commission	Amounts per Township Reports	Variance
General	\$52,400	\$0	\$52,400
Motor Vehicle License Tax	12,500	0	12,500
Gasoline Tax	88,000	0	88,000
Road and Bridge	21,300	0	21,300
Cemetery	20,000	0	20,000
Fire District	10,050	0	10,050
Road District	9,000	0	9,000
Permissive Motor Vehicle License	1,700	0	1,700

At December 31, 2008, estimated receipts as certified by the County Budget Commission did not agree to the Township's ledgers or the budgetary statements for the following funds:



**BERN TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2009-005 (Continued)**

**Material Weakness (Continued)**

Fund	Estimated Receipts Per County Budget Commission	Amounts Per Township Reports	Variance
General	\$43,600	\$48,374	(\$4,774)
Motor Vehicle License Tax	11,000	18,980	(7,980)
Gasoline Tax	85,000	84,800	200
Road and Bridge	21,000	20,980	20
Cemetery	19,000	18,995	5
Road District	10,800	10,750	50

At December 31, 2009, appropriations as approved by the Board of Trustees did not agree to the Township's ledgers or the budgetary statements for the following line items:

Fund	Appropriation Approved by Board of Trustees	Amounts Per Township Reports	Variance
Gasoline Tax	\$139,389	\$149,389	(\$10,000)
Road and Bridge	27,235	28,035	(800)
Road District	9,000	11,786	(2,786)
Fire District	10,119	15,289	(5,170)
Permissive Motor Vehicle License Tax	1,700	2,450	(750)

At December 31, 2008, appropriations as approved by the Board of Trustees did not agree to the Township's ledgers or the budgetary statements for the following line items:

Fund	Appropriation Approved by Board of Trustees	Amounts Per Township Reports	Variance
General	\$53,921	\$55,190	(\$1,269)
Motor Vehicle License Tax	19,000	16,000	3,000
Gasoline Tax	98,293	81,317	16,976
Road and Bridge	24,750	24,763	(13)
Cemetery	30,304	21,199	9,105
Road District	10,720	11,350	(630)
Fire District	11,600	14,720	(3,120)
Permissive Motor Vehicle License Tax	3,000	2,126	874

Due to budgetary information being improperly entered into the system, the management of the Township lost some degree of budgetary control.

**BERN TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

**FINDING NUMBER 2009-005 (Continued)**

**Material Weakness (Continued)**

We recommend the Fiscal Officer accurately post estimated receipts as approved by the Budget Commission into the computer system. This procedure will help ensure more useful comparisons of budget vs. actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**FINDING NUMBER 2009-006**

**Material Weakness**

The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure completeness is achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it. The definition of the completeness assertion is that all account balances and transactions that should be included in the financial records are included.

The Township has not developed procedures to account for non-payroll disbursements. There was no support for 31 percent of non-payroll General Fund expenditures and 6.5 percent of non-payroll Special Revenue expenditures in 2008. We disclaimed our opinion for 2008 General Fund non-payroll expenditures. In addition, this could allow errors and/or irregularities to occur and go undetected.

We recommend the Township develop and implement procedures regarding the accountability of non-payroll expenditures. We also recommend the Fiscal Officer maintain all invoices and attach them to the voucher package.

**FINDING NUMBER 2009-007**

**Material Weakness**

Sound financial reporting is the responsibility of the Fiscal Officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, we noted the following errors in the financial statements that required audit adjustments:

2009:

- The Fiscal Officer improperly posted intergovernmental receipts as taxes in the following funds:
  - General Fund (\$3,951).
  - Motor Vehicle License Tax Fund (\$11,131).
  - Road and Bridge Fund (\$2,277)
  - Cemetery Fund (\$1,034)
  - Fire District Fund (\$1,160)
  - Road District Fund (\$1,033)

**BERN TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2009-007 (Continued)**

**Material Weakness (Continued)**

2008:

- The Fiscal Officer improperly posted intergovernmental receipts as taxes in the following funds:
  - General Fund (\$262).
  - Motor Vehicle License Fund (\$12,325)
  - Road and Bridge Fund (\$168).
  - Fire District Fund (\$104).
  - Road Maintenance Fund (\$103).
  - Cemetery Fund (\$103).
  
- The Fiscal Officer improperly posted intergovernmental receipts as taxes entirely to the General Fund and did not allocate to Special Revenue Funds (\$7,396).
- The Fiscal Officer improperly posted intergovernmental receipts as taxes entirely to the Road and Bridge Fund and did not allocate to the General Fund or other Special Revenue Funds (\$187).
- The Fiscal Officer improperly posted intergovernmental receipts as taxes entirely to the General Fund at net and did not allocate to Special Revenue Funds (\$723).
- The Fiscal Officer improperly posted Gasoline Tax Fund intergovernmental receipts as taxes to the Road and Bridge Fund (\$2,692).
- The Fiscal Officer improperly posted General Fund intergovernmental receipts as taxes to the Cemetery Fund (\$32).
- The Fiscal Officer improperly posted miscellaneous receipts as intergovernmental to the Gasoline Tax Fund (\$173).
- The Fiscal Officer improperly posted miscellaneous receipts as intergovernmental to the Road and Bridge Fund (\$25)

Lack of due care in posting correctly resulted in audit adjustments. The audited financial statements and the Township's accounting system reflect the above adjustments.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend that the Fiscal Officer review the Ohio Township's Handbook for guidance on the correct line item to post various receipts and expenditures of the Township.

**Officials' Response:** The present and former Fiscal Officers recognize the miscalculations that occurred during the tenure of the 2008 elected officer and the need to make fund balance adjustments. These adjustments have been made and documentation has been provided to the Auditor of State's office. We believe many errors can easily be corrected such as:

- Noting subject matter of executive sessions;
- Attaching proper documentation for expenditures;
- Adopting guidelines for travel reimbursement;
- Establishing thresholds for blanket certificates;
- Establishing guidelines provided to void checks.

**BERN TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**Officials' Response (Continued):**

The Trustees and former Fiscal Officer emphasize that in regard to finding 2007-001 Officials' Response in the prior audit report, at that time, was the posting of \$49,480 was not possible due to the deficit it would create. The Officer's at the time, agreed and communicated that it would continue to appear in the audits; however, no action needed to be taken to adjust balances.

Trustees and Fiscal Officers take note of the Management Letter comment of how insurance reimbursement for employees occur and note that this is an "adjustment" monthly vs. the receipts mentioned in the audit and cannot presently generate a better procedure.

**BERN TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
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; <b><i>Explain</i></b>
2007-001	Ohio Rev. Code Section 505.24 – Trustees salaries were not paid from appropriate funds. Finding for Adjustment for 2006 and 2007.	No	Not Corrected; 2006 portion of Finding for Adjustment is no longer valid. 2007 portion of the Finding for Adjustment still outstanding. \$33,554 against the General Fund, \$29,952 in favor of the Gasoline Tax Fund and \$3,602 in favor of the Cemetery Fund.
2007-002	Ohio Rev. Code Section 5705.38 – No temporary appropriation was adopted and permanent appropriations were not adopted until March.	Yes	
2007-003	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeding appropriations.	No	Not Corrected; Repeated in the current Schedule of Findings as 2009-003.

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**Mary Taylor, CPA**  
Auditor of State

**BERN TOWNSHIP**

**ATHENS 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  
SEPTEMBER 23, 2010**