

**AMES TOWNSHIP  
ATHENS COUNTY  
Regular Audit  
December 31, 2006 and 2005**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Ames Township  
16171 E. Kasler Creek Road  
P.O. Box 158  
Amesville, Ohio 45711

We have reviewed the *Independent Accountants' Report* of Ames Township, Athens County, prepared by Perry & Associates, CPA's, A.C., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Ames Township is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 3, 2007

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**AMES TOWNSHIP  
ATHENS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2006 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2005 .....	4
Notes to the Financial Statements .....	5
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 .....	19

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**INDEPENDENT ACCOUNTANTS' REPORT**

April 6, 2007

Ames Township  
Athens County  
16171 E. Kasler Creek Road  
Amesville, OH 45711

To the Board of Trustees:

We have audited the accompanying financial statements of **Ames Township, Athens County, Ohio**, (the Township) as of and for the years ended December 31, 2006 and 2005. 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately beginning in 2004. 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 effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 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, 2006 and 2005 or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Ames Township, Athens County, as of December 31, 2006 and 2005, 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 years ended December 31, 2006 and 2005. The Government 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 April 6, 2007, 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.

Respectfully Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.

**AMES TOWNSHIP  
ATHENS COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Nonexpendable Trust</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$ 19,856	\$ 120,679	\$ 7,827	\$ -	\$ 148,362
Intergovernmental	16,808	111,637	-	-	128,445
Earnings on Investments	131	392	-	194	717
Other Revenue	5,355	3,550	-	-	8,905
<b>Total Cash Receipts</b>	<u>42,150</u>	<u>236,258</u>	<u>7,827</u>	<u>194</u>	<u>286,429</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	38,492	2,062	-	-	40,554
Public Safety	-	11,933	-	-	11,933
Public Works	-	148,871	-	-	148,871
Health	1,581	24,874	-	-	26,455
Debt Service:					
Redemption of Principal	31,988	9,784	4,208	-	45,980
Interest and Fiscal Charges	782	442	1,617	-	2,841
Capital Outlay	-	3,366	-	-	3,366
<b>Total Cash Disbursements</b>	<u>72,843</u>	<u>201,332</u>	<u>5,825</u>	<u>-</u>	<u>280,000</u>
Total Cash Receipts Over/(Under) Disbursements	(30,693)	34,926	2,002	194	6,429
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	57,914	-	-	-	57,914
Transfers-Out	-	(57,914)	-	-	(57,914)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>57,914</u>	<u>(57,914)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	27,221	(22,988)	2,002	194	6,429
Fund Cash Balances, January 1	7,533	94,158	4,736	10,477	116,904
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 34,754</u></u>	<u><u>\$ 71,170</u></u>	<u><u>\$ 6,738</u></u>	<u><u>\$ 10,671</u></u>	<u><u>\$ 123,333</u></u>

See accompanying notes to the basic financial statements



**AMES TOWNSHIP  
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Nonexpendable Trust</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$ 19,352	\$ 103,915	\$ 12,264	\$ -	\$ 135,531
Intergovernmental	14,934	150,405	-	-	165,339
Earnings on Investments	134	400	-	249	783
Other Revenue	-	5,227	-	-	5,227
<b>Total Cash Receipts</b>	<u>34,420</u>	<u>259,947</u>	<u>12,264</u>	<u>249</u>	<u>306,880</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	37,993	2,270	-	-	40,263
Public Safety	-	11,025	-	-	11,025
Public Works	-	177,534	-	363	177,897
Health	1,339	36,195	-	-	37,534
Debt Service:					
Redemption of Principal			15,000	-	15,000
Interest and Fiscal Charges			402	-	402
Capital Outlay		104,840		-	104,840
<b>Total Cash Disbursements</b>	<u>39,332</u>	<u>331,864</u>	<u>15,402</u>	<u>363</u>	<u>386,961</u>
Total Cash Receipts Over/(Under) Disbursements	(4,912)	(71,917)	(3,138)	(114)	(80,081)
<b>Other Financing Receipts and (Disbursements):</b>					
Proceeds from Notes	-	53,570	-	-	53,570
Sale of Fixed Assets	-	2,750	-	-	2,750
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>-</u>	<u>56,320</u>	<u>-</u>	<u>-</u>	<u>56,320</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,912)	(15,597)	(3,138)	(114)	(23,761)
Fund Cash Balances, January 1	12,445	109,755	7,874	10,591	140,665
<b>Fund Cash Balances, December 31</b>	<u>\$ 7,533</u>	<u>\$ 94,158</u>	<u>\$ 4,736</u>	<u>\$ 10,477</u>	<u>\$ 116,904</u>

See accompanying notes to the basic financial statements

**AMES TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Ames Township, Athens County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees and a publicly-elected Clerk. The Township provides general governmental services, including road and bridge maintenance and cemetery maintenance. The Township contracts with the Ames-Bern Firefighters, Inc. to provide fire protection.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

The Township Clerk invests available funds of the Township in an interest-bearing checking account and certificates of deposit. Certificates of deposit are valued at cost. Interest earned is recognized and recorded when received.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Township has the following significant Special Revenue Funds:

**AMES TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**D. Fund Accounting (Continued)**

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

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

Road Maintenance – This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**3. Debt Service Fund**

The Debt Service funds are used to accumulate resources for the payment of bonds and note indebtedness. The Township has the following Debt Service Fund:

General Note Retirement – This fund receives tax receipts for the repayment of a building note.

**4. Fiduciary Funds (Trust Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. Other trust funds are classified as expendable. The Township had the following significant Non-Expendable Trust Fund:

Cemetery Bequest Fund – This fund receives donated funds that are held in the form of certificates of deposit. The interest from the CD's can be used for maintenance of cemeteries.

**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, and 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. Unencumbered appropriations lapse at year-end.

**AMES TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**E. Budgetary Process (Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated in the subsequent year.

A summary of 2006 and 2005 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.

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH**

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

	<u>2006</u>	<u>2005</u>
Demand Deposits	\$ 113,033	\$ 106,604
Certificates of Deposit	10,300	10,300
Total Deposits and Investments	<u>\$ 123,333</u>	<u>\$ 116,904</u>

Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

**AMES TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$93,364	\$100,064	\$6,700
Special Revenue	225,000	236,258	11,258
Debt Service	13,000	7,827	(5,173)
Nonexpendable Trust	250	194	(56)
Total	<u>\$331,614</u>	<u>\$344,343</u>	<u>\$12,729</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,360	\$72,843	\$21,517
Special Revenue	94,863	259,246	(164,383)
Debt Service	21,000	5,825	15,175
Total	<u>\$210,223</u>	<u>\$337,914</u>	<u>(\$127,691)</u>

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$29,150	\$34,420	\$5,270
Special Revenue	313,427	316,267	2,841
Debt Service	-	12,264	12,264
Nonexpendable Trust	300	249	(51)
Total	<u>\$342,877</u>	<u>\$363,200</u>	<u>\$20,324</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$41,513	\$39,332	\$2,181
Special Revenue	355,431	331,864	23,567
Debt Service	17,000	15,402	1,598
Nonexpendable Trust	600	363	237
Total	<u>\$414,544</u>	<u>\$386,961</u>	<u>\$27,583</u>

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 50% of expenditures tested during 2006 and 83% of expenditures testing during 2005.

Contrary to Ohio Rev. Code Section 5705.39, Appropriations exceeded the total estimated resources in 2006 for the Road and Bridge, FEMA, and Debt Service Funds and in 2006 in the General, Motor Vehicle License Tax, Cemetery, Fire Levy, FEMA and Debt Service Funds.

**AMES TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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. DEBT**

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2005 International Truck	\$ 33,157.82	2.963 %

The truck was purchased in 2005 using the proceeds of a five year loan with the initial payment due in 2006. The truck will be used for Township road maintenance and other services provided to residents. The loan is collateralized solely by the truck.

The Township made a principal payment of \$10,414.86 in December 2006 for a payment due in February 2007. Therefore, the debt outstanding balance at December 31, 2006 noted above reflects principal less this payment.

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

Year ending December 31:	<u>Promissory Note</u>
2007	\$ 1,308.99
2008	11,723.85
2009	11,723.85
2010	<u>11,723.84</u>
Total	\$ <u>36,480.53</u>

The Township paid off two other debt notes early during the audit period. The general obligation note issued in 2002 for the construction of a building and a note issued in 2004 for the purchase of a grader.

**AMES TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, members of PERS contributed 9.00% and 8.5% of their gross salaries. The Township contributed an amount equal to 13.70 and 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

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.

Casualty Coverage

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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA'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.

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. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

**AMES TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stoploss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must 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 contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>



**AMES TOWNSHIP  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$48,206.

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

April 6, 2007

Ames Township  
Athens County  
16171 E. Kasler Creek Road  
Amesville, OH 45711

To the Board of Trustees:

We have audited the financial statements of the Ames Township, Athens County, (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 6, 2007, 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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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.

### **Internal Control Over Financial Reporting (Continued)**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-004 and 2006-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of 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. We believe both of the significant deficiencies described above are material weaknesses.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated April 6, 2007.

### **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 that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as items 2006-001 through 2006-003.

This report is intended solely for the information and use of Township management and Board of Trustees and is not intended to be, and should not be used by anyone other than these specified parties.

Respectfully Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.

**AMES TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

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

**FINDING NUMBER 2006-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36 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 certificate of estimated resources.

During 2006 and 2005, the Township did not obtain a reduced or increased amended certificate for several funds when the actual receipts were greater or less than the budgeted receipts.

The Township should perform a comparison of the estimated resources and the actual receipts periodically in order to determine whether an amended certificate of estimated resources needs to be obtained.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2006-002**

**Noncompliance Citation**

**Ohio Rev. Code § 5705.39** provides that the total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded the total estimated resources in 2006 for the Road and Bridge, FEMA, and Debt Service Funds and in 2005 for the General, Motor Vehicle License Tax, Cemetery, Fire Levy, FEMA and Debt Service Funds.

The Township should obtain a certificate from the County Auditor stating that the total appropriations do not exceed the total estimated resources whenever an amendment is made to the original appropriation.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2006-003**

**Noncompliance Citation**

**Ohio Revised Code § 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

**AMES TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-003 (Continued)**

**Ohio Revised Code § 5705.41(D) (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.

1. "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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the 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 taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates 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.
3. Super Blanket Certificate – The entity 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 50% and 83% of the expenditures tested during 2006 and 2005, respectively. In addition there was no evidence that the Township followed the aforementioned exceptions. Without these certifications, the management of the Township lost budgetary control over expenditures.

**AMES TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**FINDING NUMBER 2006-003 (Continued)**

**Ohio Revised Code § 5705.41(D) (Continued)**

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 Clerk 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.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2006-004**

**Significant Deficiency**

**Posting Estimated Revenues and Appropriations**

The Township did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Board of Trustees and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts as Certified by the County Budget Commission.

As a result, information available to Township officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate.

**Management's Response** – We did not receive a response from officials to this finding.

**AMES TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2006-005**

**Significant Deficiency**

**Posting Receipts and Expenditures**

During 2006 and 2005, several instances were noted where expenditures were not posted into accurate classifications. For instance; expenditures for debt were posted as health, an expenditure toward the purchase of a truck was posted as interest rather than capital outlay, and the receipt and subsequent expenditures from note proceeds used to purchase a truck were not recorded by the Township.

We recommend the Clerk refer to the Ohio Township Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

**Management's Response** – We did not receive a response from officials to this finding.

**AMES TOWNSHIP  
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2004-001	ORC § 5705.36 – Failure to request reduced Amended Certificates	No	Not Corrected; See Finding Number 2006-001
2004-002	ORC § 5705.39 – Total appropriations exceeded estimated resources..	No	Not Corrected; See Finding Number 2006-002





**Mary Taylor, CPA**  
Auditor of State

**AMES 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  
MAY 17, 2007**