

**Lynn Township
Hardin County, Ohio
Financial Statements
December 31, 2007 and 2006**



Mary Taylor, CPA

Auditor of State

Board of Trustees
Lynn Township
7087 County Road 110
Alger, Ohio 45812

We have reviewed the *Independent Auditors' Report* of Lynn Township, Hardin County, prepared by Taylor, Applegate, Hughes & Associates, Ltd., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Finding for Adjustment:

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 2004-036.

By resolution, Ohio Revised Code Section 505.24(C) permits trustees to receive annual salaries instead of per diem payments. When paid by salary, Ohio Revised Code Section 505.24(C) does not prescribe a "documentation of time spent" requirement.

However, for salaries not paid from the general fund, effective October 19, 2004, OAG Opinion 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of 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 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.

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Per the above, trustees must keep records of the time spent on various tasks and the fund to which the township will charge their costs. (The sole exception to this is for trustees charging all salaries to the general fund, as described above.) There is no one method for documenting time and the kinds of services rendered. A diary, time sheets or other methods will suffice if they include the information described above.

For 2006 and 2007 Lynn Township allocated trustee salaries to the General Fund, Motor Vehicle License Tax Fund, and the Gasoline Tax Fund on a monthly basis. During 2006 three (3) months of trustee salaries as well as Ohio Public Employees Retirement, Medicare, workers' compensation and medical insurance were charged to the General Fund, four (4) months to the Motor Vehicle License Tax Fund, and five (5) months to the Gasoline Tax Fund and records for the time spent on various tasks and the fund to which the township should charge their costs did not support the monthly charges.

During 2007 three (3) months of trustee salaries as well as Ohio Public Employees Retirement, Medicare, workers' compensation and medical insurance were charged to the General Fund, three (3) months to the Motor Vehicle License Tax Fund, and six (6) months to the Gasoline Tax Fund and records for the time spent on various tasks and the fund to which the township should charge their costs did not support the monthly charges.

Accordingly, a Finding For Adjustment is issued for the following funds:

	Increase Cash Balance	Decrease Cash Balance
2006		
General Fund		\$23,164
Motor Vehicle License Tax Fund	\$9,959	
Gasoline Tax Fund	13,205	
 2007		
General Fund		\$22,263
Motor Vehicle License Tax Fund	\$7,591	
Gasoline Tax Fund	14,672	

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We recommend that the Township Board of Trustees adopt a resolution to pay the Trustees by per diem or annual salary and develop appropriate methods for documenting the proportion of expenses that are incurred by the trustees for managing, maintaining and operating the services provided from funds other than the general fund in order to support the proportion of the trustee's salary that is eligible for payment from the fund.

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. Lynn Township is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

September 30, 2008

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Lynn Township
Hardin County, Ohio

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INDEPENDENT AUDITORS' REPORT

Lynn Township
7087 County Road 110
Alger, Ohio 45812

To the Board of Trustees:

We have audited the accompanying financial statements of Lynn Township, Hardin County, Ohio, (the Township), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Government's larger (i.e. major) funds separately. While the Government 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 Governments to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effect of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

In 2006, the Township improperly posted \$23,164 of the Trustees' salary, benefits, and employer payroll taxes to the Motor Vehicle Fund and Gasoline Fund. This disbursement amount was due to be paid from the General Fund. Had the adjustments been posted to the Township's accounting records, the 2006 General Fund expenditures would have increased by \$23,164 and the December 31, 2006 General Fund cash balance would have decreased by \$23,164. The 2006 Special Revenue Fund expenditures would have decreased \$23,164 and the December 31, 2006 Special Revenue Fund cash balance would have increased \$23,164.

In 2007, the Township improperly posted \$22,263 of the Trustees' salary, benefits, and employer payroll taxes to the Motor Vehicle Fund and Gasoline Fund. This disbursement amount was due to be paid from the General Fund. Had the adjustments been posted to the Township's accounting records, the 2007 General Fund expenditures would have increased by \$22,263 and the December 31, 2007 General Fund cash balance would have decreased by \$22,263. The 2007 Special Revenue Fund expenditures would have decreased \$22,263 and the December 31, 2007 Special Revenue Fund cash balance would have increased \$22,263.

Also, in our opinion, because of the effect of the matters discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in all material respects the combined fund cash balances and reserves for encumbrances of Lynn Township, Hardin County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 2, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of than audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Taylor, Applegate, Hughes & Assoc., Ltd.

Taylor, Applegate, Hughes and Associates, Ltd.
June 2, 2008

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

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Property and other local taxes	\$ 29,574	\$ 845	\$ -	\$ 30,419
Licenses, permits and fees	-	1,400	-	1,400
Intergovernmental	42,724	99,116	-	141,840
Earnings on investments	286	3,858	3	4,147
Miscellaneous	1,198	2,500	-	3,698
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	73,782	107,719	3	181,504
Cash Disbursements:				
Current:				
General government	38,492	-	-	38,492
Public safety	10,902	-	-	10,902
Public works	-	59,711	-	59,711
Health	2,162	1,658	10	3,830
Conservation-Recreation	-	854	-	854
Capital Outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	51,556	62,223	10	113,789
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	22,226	45,496	(7)	67,715
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets	-	-	-	-
Other Financing Uses	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	-	-	-	-
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	22,226	45,496	(7)	67,715
Fund cash balances January 1, 2007	\$ 91,041	\$ 174,976	\$ 966	\$ 266,983
Fund cash balances, December 31, 2007	<u>\$ 113,267</u>	<u>\$ 220,472</u>	<u>\$ 959</u>	<u>\$ 334,698</u>
Reserve for encumbrance, December 31, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Property and other local taxes	\$ 29,751	\$ 850	-	\$ 30,601
Licenses, permits and fees	-	1,000	-	1,000
Intergovernmental	56,039	91,101	-	147,140
Earnings on investments	272	2,993	2	3,267
Miscellaneous	188	200	-	388
Total Cash Receipts	86,250	96,144	2	182,396
Cash Disbursements:				
Current:				
General government	40,120	-	-	40,120
Public safety	10,862	-	-	10,862
Public works	-	103,739	-	103,739
Health	1,434	2,006	6	3,446
Conservation-Recreation	-	856	-	856
Capital Outlay	-	39,455	-	39,455
Total Cash Disbursements	52,416	146,056	6	198,478
Total Receipts Over/(Under) Disbursements	33,834	(49,912)	(4)	(16,082)
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets	-	15,000	-	15,000
Other Financing Uses	-	-	-	-
Total Other Financing Receipts/(Disbursements)	-	15,000	-	15,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	33,834	(34,912)	(4)	(1,082)
Fund cash balances January 1, 2006	\$ 57,207	\$ 209,888	\$ 970	\$ 268,065
Fund cash balances, December 31, 2006	<u>\$ 91,041</u>	<u>\$ 174,976</u>	<u>\$ 966</u>	<u>\$ 266,983</u>
Reserve for encumbrance, December 31, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**LYNN TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Lynn Township, Hardin County, (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township also has an elected Township Fiscal Officer. The Township provides road and bridge maintenance, cemetery, and park maintenance. The Township contracts with Richland Township, Logan County to provide fire services to its residents. The Township contracts with the Volunteer Fire Company of McGuffey, Ohio to provide fire and emergency medical services to its residents.

The Township participates in a jointly governed organization and the Ohio Township Association Risk Management Authority public entity risk pool. Notes 6 and 7 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organization:

Hardin County Regional Planning Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County.

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority – provides property and casualty coverage

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**LYNN TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash and Investments

Demand deposits, savings accounts, and certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is used for reporting all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

Motor Vehicle License Tax Fund - This fund is used to receive tax money for maintaining and repairing township roads.

Cemetery Fund - This fund is used to receive money and fees from the sale of lots, grave openings and grave closings for the purpose of maintaining and operating the Township cemeteries.

3. Permanent Funds

These funds account for assets held under a trust agreements that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent funds:

Rice and Sivet Cemetery Bequest Funds – The principal of each fund is maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donors.

**LYNN TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made.

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

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$ 261,263	\$ 194,923
Savings	750	750
Certificates of deposit	<u>72,485</u>	<u>71,110</u>
	<u>\$ 334,698</u>	<u>\$ 266,983</u>

**LYNN TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

2. EQUITY IN POOLED CASH AND INVESTMENTS, Continued

Deposits

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

3. BUDGETARY ACTIVITY

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 45,956	\$ 73,782	\$ 27,826
Special Revenue	96,389	107,719	11,330
Permanent	<u>3</u>	<u>3</u>	<u>0</u>
Total	<u>\$ 142,348</u>	<u>\$ 181,504</u>	<u>\$ 39,156</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 134,700	\$ 73,819	\$ 60,881
Special Revenue	258,004	39,959	218,045
Permanent	<u>19</u>	<u>10</u>	<u>9</u>
Total	<u>\$ 392,723</u>	<u>\$ 113,788</u>	<u>\$ 278,935</u>

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 45,109	\$ 86,250	\$ 41,141
Special Revenue	85,991	96,144	10,153
Permanent	<u>5</u>	<u>2</u>	<u>(3)</u>
Total	<u>\$ 131,105</u>	<u>\$ 182,396</u>	<u>\$ 52,291</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 101,500	\$75,580	\$ 25,920
Special Revenue	248,976	122,892	126,084
Permanent	<u>25</u>	<u>6</u>	<u>19</u>
Total	<u>\$ 350,501</u>	<u>\$ 198,478</u>	<u>\$ 152,023</u>

**LYNN TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

4. PROPERTY TAXES

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the Board. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

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

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

5. RETIREMENT SYSTEMS

The Township's full-time and part time 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 2007 and 2006, OPERS members contributed 9.5 and 9.0 percent, respectively, of their gross salaries. The Township contributed an amount equaling 13.85 and 13.7 percent, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

6. RISK MANAGEMENT

Risk Pool Membership

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation. The Township provides health coverage for an official through a private carrier.

**LYNN TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

6. RISK MANAGEMENT, Continued

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$25,000, up to \$1.75 million per claim and \$10 million in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$250,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2.65 million for each claim and \$10 million in the aggregate per year. Townships can elect additional coverage up to \$10 million with the General Reinsurance Corporation, through contacts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5 million per year, subject to a per-claim limit of \$2 million (for claims prior to January 1, 2006) or \$3 million (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. 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 stop loss 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 2006 was \$1,901,127.

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.

**LYNN TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

6. RISK MANAGEMENT, Continued

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

Financial Position

OTARMA's financial statements (audited by other accountants) are in conformity with generally accepted accounting principals, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005 (the latest information available).

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 32,031,312	\$ 30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained Earnings	<u>\$ 20,587,360</u>	<u>\$ 18,141,062</u>
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 10,010,963	\$ 9,177,796
Liabilities	(676,709)	(1,406,031)
Retained Earnings	<u>\$ 9,334,254</u>	<u>\$ 7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member townships in the future, as of December 31, 2006 and 2005, 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 \$4,000. This payable included the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

	<u>Contributions to OTARMA</u>
2005	\$2,732
2006	\$2,818
2007	\$1,891

**LYNN TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

6. RISK MANAGEMENT, Continued

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

7. JOINTLY GOVERNED ORGANIZATIONS

Hardin County Regional Planning Commission

The Hardin County Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

8. RELATED PARTIES

During 2007 and 2006, the Township maintained 16% and 19%, respectively, of its deposits in a credit union where a Township Trustee was a member of the Board of Directors.

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

Lynn Township
7087 County Road 110
Alger, Ohio 45812
To the Board of Trustees:

We have audited the financial statements of Lynn Township, Hardin County, (the Township) as of and for the years ended December 31, 2007, and December 31, 2006, and have issued our report thereon dated June 2, 2008, wherein we opined the financial statements were not fairly presented since the Township declined to adjust its financial statements or accounting records for improper posting of disbursements. In addition, 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

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 the normal course of 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance its applicable accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

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: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we believe finding 2007-001 is also a material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated June 2, 2008.

Compliance

As part of reasonably assuring whether the Township's financial statements are free of material misstatements, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially effect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under Governmental Auditing Standards, which are described in the accompanying schedule of findings as item 2007-001.

We noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated June 2, 2008.

We intend this report solely for the information and use of management, the audit committee and the Board of Trustees. It is not intended for anyone other than these specified parties.

Taylor, Applegate, Hughes & Assoc., Ltd.

Taylor, Applegate, Hughes and Associates, Ltd.
June 2, 2008

**LYNN TOWNSHIP
HARDIN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 and 2006**

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

FINDING NUMBER 2007-001

Noncompliance/Material Weakness

Ohio Rev Code Section 135.03 states that eligible depositories include national banks and banks defined in ORC Section 1101.01. Ohio Rev. Code Section 1101.01(B) state that a “Bank” means a corporation that solicits, receives, or accepts money or its equivalent for deposit as a business, whether the deposit is made by check or is evidenced by a certificate of deposit, passbook, note, receipt, ledger card or otherwise. “Bank” also includes a state bank or a corporation doing business as a bank or savings bank under authority granted by the bank regulatory of another state of the United States or another country, but does not include a savings association, savings banks, or credit union.

In 2007 and 2006, the Township held \$71,110 (27%) and \$51,110 (19%), respectively, of its deposits in certificates of deposit at a local credit union which was not an eligible depository.

All Township deposits should be held in financial institutions that are eligible depositories under Code Section 135.03.

Officials’ Response: When the certificate of deposits are due we will move the funds to a banking institution instead of the credit union.



Mary Taylor, CPA
Auditor of State

LYNN TOWNSHIP

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 14, 2008**