

MARY ANN TOWNSHIP

LICKING COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2006 & 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Mary Ann Township
11950 Wilkins Run Road
Newark, Ohio 43055

We have reviewed the *Report of Independent Accountants* of Mary Ann Township, Licking County, prepared by Charles E. Harris & Associates, Inc., 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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. Mary Ann Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 19, 2007

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MARY ANN TOWNSHIP
LICKING COUNTY, OHIO
Audit Report
For the Years ended December 31, 2006 & 2005

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REPORT OF INDEPENDENT ACCOUNTANTS

Mary Ann Township
Licking County
11950 Wilkins Run Road NE
Newark, Ohio 43055

To the Board of Trustees:

We have audited the accompanying financial statements of Mary Ann Township (Township), Licking County, Ohio as and for the years ended December 31, 2006 & 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 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.

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 & 2005. Instead of the combined funds the accompanying financial statements present for 2006 & 2005, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2006 & 2005. While the Township does not follow GAAP, generally accepted auditing standards require 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 its 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 & 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 & 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Mary Ann Township, Licking County as of December 31, 2006 & 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 & 2005. 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 13, 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, 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 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.

Charles E. Harris & Associates, Inc.
August 13, 2007

**MARY ANN TOWNSHIP
LICKING COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2006**

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$ 56,643	\$ 142,455	\$ 199,098
Charges for Services	-	61,214	61,214
Licenses, Permits and Fees	15,961	-	15,961
Intergovernmental	31,560	131,088	162,648
Earnings on Investments	541	208	749
Miscellaneous	6,765	22,081	28,846
Total Cash Receipts	111,470	357,046	468,516
Cash Disbursements:			
General Government	81,539	3,146	84,685
Public Safety	68	122,297	122,365
Public Works	31,688	131,680	163,368
Health	12,124	827	12,951
Capital Outlay	8,239	162,479	170,718
Debt Service:			
Principal	2,912	38,823	41,735
Interest	899	6,054	6,953
Total Cash Disbursements	137,469	465,306	602,775
Cash Receipts Over/(Under) Cash Disbursements	(25,999)	(108,260)	(134,259)
Other Financing Sources/(Uses):			
Sale of Notes	-	121,898	121,898
Total Other Financing Sources/(Uses)	-	121,898	121,898
Total Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(25,999)	13,638	(12,361)
Fund Balance, January 1, 2006	48,864	182,466	231,330
Fund Balance, December 31, 2006	\$ 22,865	\$ 196,104	\$ 218,969

See accompanying Notes to the Financial Statements.

**MARY ANN TOWNSHIP
LICKING COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2005**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 66,520	\$ 121,354	\$ 187,874
Charges for Services	-	43,125	43,125
Licenses, Permits and Fees	11,814	-	11,814
Intergovernmental	49,385	174,767	224,152
Earnings on Investments	467	88	555
Miscellaneous	4,347	10,480	14,827
Total Cash Receipts	132,533	349,814	482,347
Cash Disbursements:			
General Government	82,363	5,908	88,271
Public Safety	111	87,929	88,040
Public Works	155	184,323	184,478
Health	8,901	1,530	10,431
Capital Outlay	8,583	2,929	11,512
Debt Service:			
Principal	2,906	26,571	29,477
Interest	1,083	5,584	6,667
Total Cash Disbursements	104,102	314,774	418,876
Cash Receipts Over/(Under) Cash Disbursements	28,431	35,040	63,471
Fund Balance, January 1, 2005	20,433	147,426	167,859
Fund Balance, December 31, 2005	\$ 48,864	\$ 182,466	\$ 231,330

See accompanying Notes to the Financial Statements.

**MARY ANN TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 & 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Mary Ann Township, (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. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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 by the Auditor of State.

C. CASH AND INVESTMENTS

The Township's accounting basis includes investments as assets. This basis does not report disbursements for investments purchases or receipts for investments sales. The Township reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposits 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

MARY ANN TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 & 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

2. Special Revenue Funds – (continued)

Gasoline Tax Fund – This fund receives gasoline tax monies from State of Ohio for construction and repair of Township streets.

Road & Bridge Fund – This fund receives property tax money levied for the funding of the repair of the Township's roads.

General Fire Fund – This fund receives property tax money levied for the funding of the fire department.

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 of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations at year-end are carried over to the subsequent year.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered balances 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 forward to the subsequent year.

F. PROPERTY, PLANT AND EQUIPMENT

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

MARY ANN TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 & 2005

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

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 CASH AND INVESTMENTS**

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

		<u>2006</u>		<u>2005</u>
Demand Deposits	\$	<u>218,969</u>	\$	<u>231,330</u>
Total Deposits	\$	<u>218,969</u>	\$	<u>231,330</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (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.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 & 2005 is as follows:

2006 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
<u>Fund Type</u>			
General	\$ 104,273	\$ 111,470	\$ 7,197
Special Revenue	331,723	478,944	147,221
Total	\$ 435,996	\$ 590,414	\$ 154,418

2006 Budgeted vs. Actual Budgetary Basis Expenditures

	Total Appropriations	Total Expenditures	Variance
<u>Fund Type</u>			
General	\$ 153,137	\$ 137,469	\$ 15,668
Special Revenue	514,189	465,306	48,883
Total	\$ 667,326	\$ 602,775	\$ 64,551

**MARY ANN TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 & 2005**

3. BUDGETARY ACTIVITY - (continued)

2005 Budgeted vs. Actual Receipts			
	Budgeted Receipts	Actual Receipts	Variance
Fund Type			
General	\$ 91,165	\$ 132,533	\$ 41,368
Special Revenue	299,710	349,814	50,104
Total	\$ 390,875	\$ 482,347	\$ 91,472

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
	Total Appropriations	Total Expenditures	Variance
Fund Type			
General	\$ 111,240	\$ 104,102	\$ 7,138
Special Revenue	446,641	314,774	131,867
Total	\$ 557,881	\$ 418,876	\$ 139,005

4. PROPERTY TAXES

Real property becomes 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 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 on the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEMS

The Township belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plan. This plan provide retirement benefits, including postretirement 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 2005, OPERS members contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of participants' gross salaries during the year. For 2006, OPERS members contributed 9% of their wages. The Township contributed an amount equal to 13.70% of participants' gross salaries during the year. The Township has paid all contributions required through December 31, 2006 and 2005.

**MARY ANN TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 & 2005**

7. DEBT

Debt outstanding at December 31, 2006 was as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Tractor Loan	\$63,000	5.20%
Ambulance Loan	47,285	5.22%
Pierce MINI-Pumper Loan	47,069	4.04%
Fire Facility Loan	29,377	6.10%
Total	\$186,731	

In 2006, the Township obtained a five year \$63,000 note for the purchase of a tractor. Also in 2006, the Township obtained a five year \$58,898 note for the purchase of an ambulance.

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

<u>Year Ended</u>	<u>Tractor Loan</u>	<u>Ambulance Loan</u>	<u>Pierce MINI Pumper</u>	<u>Fire Facility Loan</u>
2007	\$ 14,634	\$ 13,407	\$ 16,983	\$ 9,081
2008	14,634	13,407	16,983	9,636
2009	14,634	13,407	16,983	8,191
2010	14,634	13,407	-	7,745
2011	14,632	13,407	-	-
Total	\$ 73,168	\$ 67,035	\$ 50,949	\$ 34,653

8. RISK MANAGEMENT

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 - 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 for claims that occurred prior to January 1, 2006 and \$3,000,000 to \$13,000,000 for claims that occurring after January 1, 2006 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 an annual aggregate limit of \$10,000,000.

**MARY ANN TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 & 2005**

8. RISK MANAGEMENT – (continued)

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.

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 & 2005 was \$1,901,127 and \$1,712,113, respectively.

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, 2006 and 2005:

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

The casualty coverage assets and retained earnings above include approximately \$12.1 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. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment.

**MARY ANN TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 & 2005**

9. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

10. LEGAL COMPLIANCE

The Township did not record the proceeds of notes issued for the purchase of an ambulance and a tractor in accordance with Ohio Admin. Code Section 117-2-02(A). Contrary to Ohio Rev. Code Section 5705.40, the Township did not amend or supplement appropriation ordinance and contrary to Ohio Rev. Code Section 5705.36(A)(3), the Township did not amend its certificate of estimated resources.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mary Ann Township
Licking County
11950 Wilkins Run Road, NE
Newark, Ohio 43055

To the Board of Trustees:

We have audited the financial statements of Mary Ann Township, Licking County, Ohio (Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 13, 2007, wherein we noted the Township followed accounting practices prescribed or permitted by the Auditor of State of Ohio. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified 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 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 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs, item 2006-MaryAnn-01, to be a significant deficiency in internal control over financial reporting.

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 Township's internal control.

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 considered to be material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2006-MaryAnn-01.

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

We noted certain matters that we have reported to management of the Township in a separate letter dated August 13, 2007.

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

Charles E. Harris & Associates, Inc.

August 13, 2007

**MARY ANN TOWNSHIP
LICKING COUNTY, OHIO
SCHEDULE OF FINDINGS
December 31, 2006 & 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-MaryAnn-01

Noncompliance and Material Weakness

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements. Furthermore, the Auditor of State provided, through Auditor of State Bulletins 2000-008 and 2002-004, the recommended accounting treatment for on-behalf of grants and loans. Ohio Rev. Code Section 5705.40 requires that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation. Ohio Rev. Code Section 5705.36(A)(3) allows all subdivisions to request an increased amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount in the official certificate. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

In 2006, the Township issued a \$58,898 note for the purchase of an ambulance and a \$63,000 note for the purchase of a tractor. It did not record the proceeds of the loans in its books. Moreover, it recorded debt service payments for these loans as disbursements in capital outlay instead of debt service. Also, the Township Clerk did not obtain an amended certificate for the proceeds of the sale of notes for the tractor and ambulance. The Township Trustees did not amend their appropriations for the purchase of these items.

We recommend the Township follow the budgetary scheme of Chapter 5705 of the Revised Code and monitor appropriations, amending them as appropriate to record these funds. We further recommend the Township refer to Auditor of State Bulletins 2000-008 and 2002-004 and follow the recommended accounting treatment for all loans expended directly to vendors on behalf of the Township.

The Clerk agrees and will record all loan activity on the books in the future.

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the years ending December 31, 2004 and 2003, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

MARY ANN TOWNSHIP

LICKING 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 2, 2007**