



**Auditor of State
Betty Montgomery**

WASHINGTON TOWNSHIP
CLERMONT COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Washington Township
Clermont County
2238 State Route 756
Moscow, Ohio 45153

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 14, 2003

**WASHINGTON TOWNSHIP
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Local Taxes	\$293,310	\$2,079,638	\$2,372,948
Intergovernmental	39,918	209,397	249,315
Licenses, Permits, and Fees	5,793	3,330	9,123
Fines, Forfeitures, and Penalties	165	184	349
Earnings on Investments	53,059	3,447	56,506
Other Revenue	23,829	136,370	160,199
 Total Cash Receipts	 416,074	 2,432,366	 2,848,440
Cash Disbursements:			
Current:			
General Government	168,133		168,133
Public Safety	107,306	1,279,472	1,386,778
Public Works	12,601	778,803	791,404
Health	50,023		50,023
Conservation - Recreation	27,548		27,548
Capital Outlay	44,156	325,514	369,670
 Total Cash Disbursements	 409,767	 2,383,789	 2,793,556
 Total Receipts Over/(Under) Disbursements	 6,307	 48,577	 54,884
Other Financing Receipts and (Disbursements):			
Transfers-In		39,092	39,092
Transfers-Out	(39,092)		(39,092)
Other Sources	27,101	85,402	112,503
Other Uses		(112,503)	(112,503)
 Total Other Financing Receipts/(Disbursements)	 (11,991)	 11,991	 0
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 (5,684)	 60,568	 54,884
 Fund Cash Balances, January 1	 138,930	 2,806,024	 2,944,954
 Fund Cash Balances, December 31	 \$133,246	 \$2,866,592	 \$2,999,838
 Reserve for Encumbrances, December 31	 \$3,635	 \$128,625	 \$132,260

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

**WASHINGTON TOWNSHIP
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$267,277	\$1,890,633	\$2,157,910
Intergovernmental	34,488	117,158	151,646
Licenses, Permits, and Fees	6,480	2,100	8,580
Fines, Forfeitures, and Penalties	150	225	375
Earnings on Investments	112,254	6,398	118,652
Other Revenue	15,189	133,060	148,249
	<u>435,838</u>	<u>2,149,574</u>	<u>2,585,412</u>
Cash Disbursements:			
Current:			
General Government	165,725		165,725
Public Safety	101,798	1,338,025	1,439,823
Public Works	10,986	543,320	554,306
Health	49,972	1,500	51,472
Conservation - Recreation	20,128		20,128
Capital Outlay	15,870	14,639	30,509
	<u>364,479</u>	<u>1,897,484</u>	<u>2,261,963</u>
Total Cash Disbursements	<u>364,479</u>	<u>1,897,484</u>	<u>2,261,963</u>
Total Receipts Over/(Under) Disbursements	<u>71,359</u>	<u>252,090</u>	<u>323,449</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		82,147	82,147
Transfers-Out	(82,147)		(82,147)
	<u>(82,147)</u>	<u>82,147</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)	<u>(82,147)</u>	<u>82,147</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(10,788)	334,237	323,449
Fund Cash Balances, January 1	<u>149,718</u>	<u>2,471,787</u>	<u>2,621,505</u>
Fund Cash Balances, December 31	<u>\$138,930</u>	<u>\$2,806,024</u>	<u>\$2,944,954</u>
Reserve for Encumbrances, December 31	<u>\$19,442</u>	<u>\$52,516</u>	<u>\$71,958</u>

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

**WASHINGTON TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Washington Township, Clermont County, Ohio (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, and contracts with other townships to provide fire protection and emergency medical services. The Township also contracts with the Clermont County Sheriff's department to provide police 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 or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements respectively.

The investment with STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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

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

**WASHINGTON TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire District Fund – This fund receives property tax money and charges for services for providing fire safety to the Township.

Ambulance Levy Fund – This fund receives money from a levy to provide emergency medical services to residents inside and outside the Township.

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 lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2002 and 2001 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 vacation leave is not reflected as a liability under the Township's basis of accounting.

**WASHINGTON TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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:

	2002	2001
Demand deposits	\$1,681	\$49,786
STAR Ohio investment	2,998,157	2,895,168
Total deposits and investments	\$2,999,838	\$2,944,954

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investment in STAROhio is not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$439,609	\$443,175	\$3,566
Special Revenue	2,441,181	2,556,860	115,679
Total	\$2,880,790	\$3,000,035	\$119,245

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$547,262	\$452,494	\$94,768
Special Revenue	4,943,198	2,624,917	2,318,281
Total	\$5,490,460	\$3,077,411	\$2,413,049

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$436,204	\$435,838	(\$366)
Special Revenue	2,220,764	2,231,721	10,957
Total	\$2,656,968	\$2,667,559	\$10,591

**WASHINGTON TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$751,027	\$466,068	\$284,959
Special Revenue	4,693,510	1,950,000	2,743,510
Total	\$5,444,537	\$2,416,068	\$3,028,469

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. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS are cost-sharing, multiple-employer plans. These plans provide 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 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

**WASHINGTON TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. 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 claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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

**WASHINGTON TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RISK MANAGEMENT (Continued)

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:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	(9,197,512)	(9,379,003)
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

7. NON-COMPLIANCE

- The Township failed to establish a separate fund to account for FEMA grant receipts and expenditures.
- Contrary to Ohio law, appropriations exceeded estimated resources in the following funds for fiscal year 2001.

Fund	Variance
General	\$ 158,856
Motor Vehicle	10,570
Gasoline Tax	4,728
Road and Bridge	34,244
Ambulance	48,238



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Washington Township
Clermont County
2238 State Route 756
Moscow, Ohio 45153

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Clermont County, Ohio (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 14, 2003. 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.

Compliance

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 and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2002-40413-001 and 2002-40413-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 14, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does require inclusion in this report, which we have reported to management of the Township in a separate letter dated July 14, 2003.

Washington Township
Clermont County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 14, 2003

**WASHINGTON TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

MATERIAL NONCOMPLIANCE

Ohio Rev. Code, Section 5705.10, states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. During fiscal year 2002, FEMA monies were posted to the General and Road and Bridge funds instead of the FEMA fund. This required an audit adjustment of \$112,503 to reflect the expenditures and subsequent reimbursement attributable to the FEMA fund. Additionally, these expenditures were not appropriated in the FEMA fund.

FINDING NUMBER 2002-002

MATERIAL NONCOMPLIANCE

Ohio Rev. Code, Section 5705.39, states the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to 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.

During fiscal year 2001, appropriations exceeded estimated resources as follows:

Fund	Estimated Resources	Appropriations	Variance
General	\$591,792	\$ 750,648.00	\$ (158,856)
Motor Vehicle License	24,236	34,806	(10,570)
Gasoline Tax	139,543	144,271	(4,728)
Road and Bridge	1,253,695	1,287,939	(34,244)
Ambulance	1,305,794	1,354,032	(48,238)

The ability to pay bills and control cash flow could be effected by not monitoring the appropriations with the estimated revenue. We recommend the Board of Trustees periodically review the budgetary actions of the Township and make amendments as needed to avoid appropriations exceeding the estimated resources.

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**WASHINGTON TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40413-001	Ohio Rev. Code, Section 5705.39: General Fund appropriations exceeded estimated revenue.	No	Reported as a Material Noncompliance/Reportable Condition for Fiscal Year 2001 - Finding Number 2002-40413-002.



**Auditor of State
Betty Montgomery**

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WASHINGTON TOWNSHIP

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 9, 2003**