

**WASHINGTON TOWNSHIP
HOLMES COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004-2003



**Auditor of State
Betty Montgomery**

Board of Trustees
Washington Township
8053 Township Road 466
Lakeville, Ohio 44638

We have reviewed the *Independent Accountants' Report* of Washington Township, Holmes County, prepared by Knox & Knox for the audit period January 1, 2003 through December 31, 2004. 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's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the AOS 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. Washington Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

October 28, 2005

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**WASHINGTON TOWNSHIP
HOLMES COUNTY**

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Independent Accountants' Report

Washington Township
Holmes County
8053 T.R. 466
Lakeville, Ohio 44638

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Holmes County, Ohio, as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of Washington 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, if any, 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, Washington Township has prepared its 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Washington Township, Holmes County combined funds as of December 31, 2004 and 2003, and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Washington Township, Holmes County, as of December 31, 2004 and 2003, 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 a report dated August 17, 2005, on our consideration of Washington Township's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Knox & Knox

Orrville, Ohio
August 17, 2005

**WASHINGTON TOWNSHIP
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES – ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Nonexpendable Trust</u>	
Cash Receipts:				
Local Taxes	\$ 13,851	\$146,518	\$	\$160,369
Intergovernmental	25,873	101,126		126,999
Earnings on Investments	1,256	652	598	2,506
Other	<u>16</u>	<u> </u>	<u> </u>	<u>16</u>
Total Cash Receipts	<u>40,996</u>	<u>248,296</u>	<u>598</u>	<u>289,890</u>
Cash Disbursements:				
Current:				
General Government	52,475			52,475
Public Works	2,358	176,865		179,223
Health	2,130			2,130
Miscellaneous	110			110
Capital Outlay	<u> </u>	<u>50,046</u>	<u> </u>	<u>50,046</u>
Total Cash Disbursements	<u>57,073</u>	<u>226,911</u>	<u> </u>	<u>283,984</u>
Total Receipts Over/(Under) Disbursements	<u><16,077></u>	<u>21,385</u>	<u>598</u>	<u>5,906</u>
Other Financing Receipts/(Disbursements):				
Other Sources	<u>547</u>	<u>518</u>		<u>1,065</u>
Total Other Financing Receipts (Disbursements)	<u>547</u>	<u>518</u>	<u> </u>	<u>1,065</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<15,530>	21,903	<u>598</u>	6,971
Fund Cash Balances, January 1	<u>43,533</u>	<u>170,405</u>	<u>17,649</u>	<u>231,587</u>
Fund Cash Balances, December 31	<u>\$ 28,003</u>	<u>\$192,308</u>	<u>\$18,247</u>	<u>\$238,558</u>

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

**WASHINGTON TOWNSHIP
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Nonexpendable Trust</u>	
Cash Receipts:				
Local Taxes	\$ 14,729	\$153,455		\$168,184
Intergovernmental	71,195	86,797		157,992
Earnings on Investments	<u>1,190</u>	<u>613</u>	<u>332</u>	<u>2,135</u>
Total Cash Receipts	<u>87,114</u>	<u>240,865</u>	<u>332</u>	<u>328,311</u>
Cash Disbursements:				
Current:				
General Government	53,927			53,927
Public Safety			25	25
Public Works	2,633	192,928		195,561
Health	2,292			2,292
Capital Outlay	<u> </u>	<u>9,856</u>	<u> </u>	<u>9,856</u>
Total Cash Disbursements	<u>58,852</u>	<u>202,784</u>	<u>25</u>	<u>261,661</u>
Total Receipts				
Over/(Under) Disbursements	<u>28,262</u>	<u>38,081</u>	<u>307</u>	<u>66,650</u>
Other Financing Receipts (Disbursements):				
Other Sources	<u>400</u>	<u>44</u>	<u> </u>	<u>444</u>
Total Other Financing Receipts/(Disbursements)	<u>400</u>	<u>44</u>	<u> </u>	<u>444</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	28,662	38,125	307	67,094
Fund Cash Balances, January 1	<u>14,871</u>	<u>132,280</u>	<u>17,342</u>	<u>164,493</u>
Fund Cash Balances, December 31	<u>\$ 43,533</u>	<u>\$170,405</u>	<u>\$17,649</u>	<u>\$231,587</u>

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

WASHINGTON TOWNSHIP
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

Washington Township, Holmes County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. Police protection is provided by the Holmes County Sheriff's Department under an annual contract.

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

The Township maintains monies in a checking account and certificates of deposit.

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 is used to account for property tax money for constructing, maintaining and repairing Township roads and bridges.

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

WASHINGTON TOWNSHIP
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Road District Levy Fund - This fund is used to account for road levy tax money to pay for constructing, maintaining and repairing Township roads.

3. Fiduciary Fund (Trust Fund)

These funds are used to account for resources restricted by legally binding trust agreements. The Township has the following nonexpendable trust funds:

Nonexpendable Trust

Ullman and Pllum Run Funds - These funds are used to maintain cemeteries.

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 the appropriation measure 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. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

Property, Plant and Equipment

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

**WASHINGTON TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Accumulated Leave

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

2. EQUITY IN POOLED CASH 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>2004</u>	<u>2003</u>
Money Market Checking Account	\$223,238	\$216,290
Certificates of deposit	<u>15,320</u>	<u>15,297</u>
Total deposits	<u>\$238,558</u>	<u>\$231,587</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2004 and 2003 follows:

	2004 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 41,280	\$ 41,543	\$ 263
Special Revenue	237,635	248,814	11,179
Fiduciary	<u>250</u>	<u>598</u>	<u>348</u>
Total	<u>\$279,165</u>	<u>\$290,955</u>	<u>\$11,790</u>

	2004 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 59,377	\$ 57,073	\$ 2,304
Special Revenue	257,769	226,911	30,858
Fiduciary	<u>250</u>	<u> </u>	<u>250</u>
Total	<u>\$317,396</u>	<u>\$283,984</u>	<u>\$33,412</u>

**WASHINGTON TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 73,030	\$ 87,514	\$14,484
Special Revenue	215,750	240,909	25,159
Fiduciary	<u>500</u>	<u>332</u>	<u><168></u>
Total	<u>\$289,280</u>	<u>\$328,755</u>	<u>\$39,475</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 60,370	\$ 58,852	\$ 1,518
Special Revenue	247,468	202,784	44,684
Fiduciary	<u>500</u>	<u>25</u>	<u>475</u>
Total	<u>\$308,338</u>	<u>\$261,661</u>	<u>\$46,677</u>

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 payments, the first half is due December 31. The second half payment is due the following June 20.

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.

WASHINGTON TOWNSHIP
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

5. RETIREMENT SYSTEM

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides 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 2004 and 2003, OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

6. 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. 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.

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

Washington Township
Holmes County
8053 T.R. 466
Lakeville, Ohio 44638

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Holmes County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 17, 2005. 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 would 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 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 other matters involving the internal control over financial reporting that we have reported to the management of the Township in a separate letter dated August 17, 2005.

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

KNOX & KNOX

Orrville, Ohio
August 17, 2005



**Auditor of State
Betty Montgomery**

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WASHINGTON TOWNSHIP

HOLMES 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
NOVEMBER 10, 2005**