

WHETSTONE TOWNSHIP
CRAWFORD COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004



Mary Taylor, CPA

Auditor of State

Board of Trustees
Whetstone Township
4321 Crestline Road
Bucyrus, Ohio 44820-9572

We have reviewed the *Independent Auditors' Report* of Whetstone Township, Crawford County, prepared by Holbrook & Manter, for the audit period January 1, 2004 through December 31, 2005. 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.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 27, 2007

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Whetstone Township
Crawford County

We have audited the accompanying financial statements of Whetstone Township, Crawford County, Ohio, (the Township) as of and for the years ended December 31, 2005 and 2004. 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 audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State of Ohio 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.

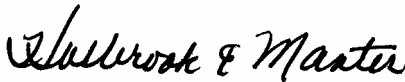
Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require, governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State of Ohio 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, 2005 and 2004 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, 2005 and 2004, 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 Whetstone Township, Crawford County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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, 2005 and 2004. The Government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2007 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Certified Public Accountants

February 9, 2007

WHETSTONE TOWNSHIP
CRAWFORD COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
 CASH BALANCES-ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Governmental Fund Types</u>			<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Nonexpendable Trust Fund</u>	
CASH RECEIPTS:-				
Property tax and other local taxes	\$ 24,521	\$ 148,763	\$ 0	\$ 173,284
Charges for services	0	100	0	100
Licenses, permits and fees	636	15,223	375	16,234
Intergovernmental receipts	17,189	212,331	0	229,520
Earnings on investments	7,384	524	2,013	9,921
Miscellaneous	214	849	200	1,263
Total cash receipts	<u>49,944</u>	<u>377,790</u>	<u>2,588</u>	<u>430,322</u>
CASH DISBURSEMENTS:-				
Current:-				
General government	43,534	16,171	0	59,705
Public safety	0	22,689	0	22,689
Public works	1,173	214,880	0	216,053
Health	1,700	0	1,450	3,150
Capital outlay	0	187,852	85	187,937
Total cash disbursements	<u>46,407</u>	<u>441,592</u>	<u>1,535</u>	<u>489,534</u>
Total receipts over (under) cash disbursements	3,537	(63,802)	1,053	(59,212)
Fund cash balances, January 1, 2005	<u>113,372</u>	<u>151,831</u>	<u>64,346</u>	<u>329,549</u>
Fund cash balances, December 31, 2005	<u>\$ 116,909</u>	<u>\$ 88,029</u>	<u>\$ 65,399</u>	<u>\$ 270,337</u>

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

WHETSTONE TOWNSHIP
CRAWFORD COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES-ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>			<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Nonexpendable Trust Fund</u>	
CASH RECEIPTS:-				
Property tax and other local taxes	\$ 23,556	\$ 128,336	\$ 0	\$ 151,892
Charges for services	0	6,000	0	6,000
Licenses, permits and fees	0	6,437	600	7,037
Intergovernmental receipts	49,141	91,893	0	141,034
Earnings on investments	2,702	87	761	3,550
Miscellaneous	513	8,502	6,900	15,915
Total cash receipts	<u>75,912</u>	<u>241,255</u>	<u>8,261</u>	<u>325,428</u>
CASH DISBURSEMENTS:-				
Current:-				
General government	54,584	12,395	0	66,979
Public safety	0	23,024	0	23,024
Public works	1,175	137,314	0	138,489
Health	0	0	1,550	1,550
Purchased services	5,119	0	0	5,119
Capital outlay	0	24,141	0	24,141
Total cash disbursements	<u>60,878</u>	<u>196,874</u>	<u>1,550</u>	<u>259,302</u>
Total receipts over (under) cash disbursements	15,034	44,381	6,711	66,126
OTHER FINANCING RECEIPTS (DISBURSEMENTS):-				
Operating transfers-in	0	1,000	0	1,000
Operating transfers-out	(1,000)	0	0	(1,000)
Total other financing receipts (disbursements)	<u>(1,000)</u>	<u>1,000</u>	<u>0</u>	<u>0</u>
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	14,034	45,381	6,711	66,126
Fund cash balances, January 1, 2004	<u>99,338</u>	<u>106,450</u>	<u>57,635</u>	<u>263,423</u>
Fund cash balances, December 31, 2004	<u>\$ 113,372</u>	<u>\$ 151,831</u>	<u>\$ 64,346</u>	<u>\$ 329,549</u>

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

WHETSTONE TOWNSHIP
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

Description of the Entity - Whetstone Township, Crawford 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 three publicly - elected Trustees. The Township provides general government services including road and bridge maintenance, cemetery maintenance and fire protection. The Township contracts with Joint Ambulance Service, to provide ambulance services.

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

Basis of Accounting - These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, 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 of Ohio.

Cash and Investments - Investments are included in fund cash balances. Investments are 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 in STAR Ohio (The State Treasurer's investment pool) is recorded at share values reported by the State Treasurer.

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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

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:

Gasoline Tax Fund

This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Fiduciary Fund (Non-expendable Trust Funds)

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

Walton Cemetery Fund

This fund accumulates revenue for beautification of the Walton Cemetery.

Olentangy Cemetery Fund

This fund accumulates revenue for beautification of the Olentangy Cemetery.

**WHETSTONE TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

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.

Budgetary Process - The Ohio Revised Code requires that each fund be budgeted annually.

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 Crawford County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

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.

NOTE 2 - EQUITY IN POOLED CASH:-

The Township maintains a cash 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>2005</u>	<u>2004</u>
Demand deposits	\$ 5,506	\$ 25,596
Star Ohio	<u>264,831</u>	<u>303,953</u>
Total deposits	<u>\$ 270,337</u>	<u>\$ 329,549</u>

Deposits - The Townships deposits are insured by the Federal Depository Insurance Corporation up to \$100,000.

Investments – Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**WHETSTONE TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2005 was as follows:

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 43,684	\$ 49,944	\$ 6,260
Special revenue	358,961	377,790	18,829
Nonexpendable trust	<u>1,150</u>	<u>2,588</u>	<u>1,438</u>
Total	\$ <u>403,795</u>	\$ <u>430,322</u>	\$ <u>26,527</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 153,655	\$ 46,407	\$ 107,248
Special revenue	510,764	441,592	69,172
Nonexpendable trust	<u>33,591</u>	<u>1,535</u>	<u>32,056</u>
Total	\$ <u>698,010</u>	\$ <u>489,534</u>	\$ <u>208,476</u>

**WHETSTONE TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 3 - BUDGETARY ACTIVITY:- (continued)

Budgetary activity for the year ending December 31, 2004 was as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 73,720	\$ 75,912	\$ 2,192
Special revenue	213,490	241,255	27,765
Nonexpendable trust	<u>1,050</u>	<u>8,261</u>	<u>7,211</u>
Total	\$ <u>288,260</u>	\$ <u>325,428</u>	\$ <u>37,168</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 173,060	\$ 60,878	\$ 112,182
Special revenue	242,105	196,874	45,231
Nonexpendable trust	<u>25,200</u>	<u>1,550</u>	<u>23,650</u>
Total	\$ <u>440,365</u>	\$ <u>259,302</u>	\$ <u>181,063</u>

**WHETSTONE TOWNSHIP
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 4 - PROPERTY TAX:-

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 Crawford 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 Crawford 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.

NOTE 5 - RETIREMENT SYSTEMS:-

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2004.

During 2005 and 2004, one of the Township Trustees, Fire Chief and Assistant Fire Chief elected to be part of the Social Security program. The Township's liability is 6.2 percent of wages paid.

NOTE 6 - RISK POOL MANAGEMENT:-

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.



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*

Board of Trustees
Whetstone Township
Crawford County

We have audited the accompanying financial statements of Whetstone Township, Crawford County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated February 9, 2007, wherein we noted the Township had followed accounting practices the Auditor of State of Ohio 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 an opinion 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 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 other matters involving the internal control over financial reporting that we have reported to the management of the Township in a separate letter dated February 9, 2007.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated February 9, 2007.

We intended this report solely for the information and use of the management and Township Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads 'Holbrook & Manter' in a cursive script.

Certified Public Accountants

February 9, 2007

**WHETSTONE TOWNSHIP
CRAWFORD COUNTY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	ORC 4115.04 and 4115.05 - Noncompliance with prevailing wages	Yes	Fully Corrected. Contract with Bucyrus Road Materials in 2004 contained prevailing wage agreement



Mary Taylor, CPA
Auditor of State

WHETSTONE TOWNSHIP

CRAWFORD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 10, 2007**