



**WASHINGTON TOWNSHIP
HENRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006



Mary Taylor, CPA
Auditor of State

WASHINGTON TOWNSHIP
HENRY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	16
Schedule of Prior Audit Findings	26

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Mary Taylor, CPA

Auditor of State

Washington Township
Henry County
5325 County Road S-2
Liberty Center, Ohio 43532-9535

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Mary Taylor, CPA
Auditor of State

November 20, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Washington Township
Henry County
5325 County Road S-2
Liberty Center, Ohio 43532-9535

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Henry County, (the Township) as of and for the years ended December 31, 2006 and 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 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 and 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 and reserves for encumbrances of Washington Township, Henry County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 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.



Mary Taylor, CPA
Auditor of State

November 20, 2007

**WASHINGTON TOWNSHIP
HENRY COUNTY**

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Local Taxes	\$24,774	\$162,322	\$46,144		\$233,240
Charges for Services		19,601			19,601
Licenses, Permits, and Fees		6,192			6,192
Intergovernmental	41,418	110,079	5,380		156,877
Earnings on Investments	206	117			323
Miscellaneous	413	2,046			2,459
Total Cash Receipts	66,811	300,357	51,524		418,692
Cash Disbursements:					
Current:					
General Government	64,072	1,289			65,361
Public Safety		35,386			35,386
Public Works		139,822			139,822
Other	19				19
Capital Outlay	1,783	42,103			43,886
Debt Service:					
Redemption of Principal		4,313	23,918		28,231
Interest and Other Fiscal Charges		6,990	18,125		25,115
Total Cash Disbursements	65,874	229,903	42,043		337,820
Total Cash Receipts Over Cash Disbursements	937	70,454	9,481		80,872
Fund Cash Balances, January 1	112,226	328,945	22,236	\$35,734	499,141
Fund Cash Balances, December 31	\$113,163	\$399,399	\$31,717	\$35,734	\$580,013
Reserve for Encumbrances, December 31	\$122	\$30,015			\$30,137

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

**WASHINGTON TOWNSHIP
HENRY COUNTY**

**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>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Other Local Taxes	\$23,445	\$154,144	\$43,927		\$221,516
Charges for Services		1,362			1,362
Licenses, Permits, and Fees		3,206			3,206
Intergovernmental	28,004	186,298	4,933		219,235
Earnings on Investments	209	60			269
Miscellaneous	956	1,988			2,944
Total Cash Receipts	<u>52,614</u>	<u>347,058</u>	<u>48,860</u>		<u>448,532</u>
Cash Disbursements:					
Current:					
General Government	59,729	3,660			63,389
Public Safety		26,470			26,470
Public Works	7,728	257,388			265,116
Health	100				100
Other	3,101				3,101
Debt Service:					
Redemption of Principal		85,596	18,484		104,080
Interest and Other Fiscal Charges		4,011	23,336		27,347
Total Cash Disbursements	<u>70,658</u>	<u>377,125</u>	<u>41,820</u>		<u>489,603</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(18,044)	(30,067)	7,040		(41,071)
Fund Cash Balances, January 1	<u>130,270</u>	<u>359,012</u>	<u>15,196</u>	<u>\$35,734</u>	<u>540,212</u>
Fund Cash Balances, December 31	<u>\$112,226</u>	<u>\$328,945</u>	<u>\$22,236</u>	<u>\$35,734</u>	<u>\$499,141</u>
Reserve for Encumbrances, December 31	<u>\$1,158</u>	<u>\$29,461</u>			<u>\$30,619</u>

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

**WASHINGTON TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Washington Township, Henry County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. 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. Accounting Basis

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

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

C. 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 proceeds from specific sources (other than from private-purpose 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.

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

Special Levy Fund – This fund receives property tax money for constructing, maintaining, and repairing Township roads.

Fire Fund – This fund receives property tax money for providing fire protection.

WASHINGTON TOWNSHIP
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

3. Debt Service Fund

This fund accounts for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

General Bond Retirement Fund – This fund receives property tax money for the payment of bonds for the construction of the new fire station.

4. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project fund:

Bonds (Fire Station) Fund - The Township sold bonds for the construction of the new fire station.

D. 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. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**WASHINGTON TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

E. Property, Plant, and Equipment

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

F. 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

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

	2006	2005
Demand deposits	\$580,013	\$499,141

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,539	\$66,811	\$39,272
Special Revenue	263,370	300,357	36,987
Debt Service	51,636	51,524	(112)
Total	\$342,545	\$418,692	\$76,147

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$138,583	\$65,996	\$72,587
Special Revenue	620,096	259,918	360,178
Debt Service	73,872	42,043	31,829
Capital Projects	35,758		35,758
Total	\$868,309	\$367,957	\$500,352

**WASHINGTON TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY – (CONTINUED)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,525	\$52,614	\$18,089
Special Revenue	273,787	347,058	73,271
Debt Service	53,908	48,860	(5,048)
Total	\$362,220	\$448,532	\$86,312

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$164,794	\$71,816	\$92,978
Special Revenue	632,799	406,586	226,213
Debt Service	69,104	41,820	27,284
Capital Projects	35,734		35,734
Total	\$902,431	\$520,222	\$382,209

As of December 31, 2006 and 2005, the Township had \$29,489 and \$27,782, respectively, in outstanding purchase commitments that were not certified until 2006 and 2007 and as a result were improperly charged against fiscal year 2006 and 2007 appropriations.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

**WASHINGTON TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$363,389	4.75%
Lease Purchase Obligation	3,539	9.25%
	\$366,928	

The Township issued general obligation bonds to finance the purchase of constructing, furnishing, and equipping a new fire station and improving its site. The Township's taxing authority collateralized the bonds.

The Township entered into a lease purchase agreement in 2006 to finance a 2002 Ford F450 truck for Township road usage. This agreement is secured by the Township's depository accounts.

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

	General Obligation Bonds	Ford F450 Truck
Year ending December 31:		
2007	\$42,043	\$5,625
2008	42,043	
2009	42,043	
2010	42,043	
2011	42,043	
2012-2016	210,215	
2017-2018	53,042	
Total	\$473,472	\$5,625

6. RETIREMENT SYSTEM

The Township's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**WASHINGTON TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<u>2006</u>	<u>2005</u>
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

8. SUBSEQUENT EVENTS

On November 6, 2007 voters turned down a 1.5 mill levy request to be used for the Road and Bridge fund at the Township.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Washington Township
Henry County
5325 County Road S-2
Liberty Center, Ohio 43532-9535

To the Township Board of Trustees:

We have audited the financial statements of Washington Township, Henry County, (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 20, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

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

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated November 20, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2006-002 through 2006-006.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 20, 2007.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

Washington Township
Henry County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 3

We intend this report solely for the information and use of management and the Township Board of Trustees. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

November 20, 2007

**WASHINGTON TOWNSHIP
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Material Weakness

Financial Reporting

Inaccurate posting of transactions impedes the ability of the Trustees to accurately assess the financial status of the Township. We noted examples such as the following during our audit:

- Principal payment of fire station debt in the amount of \$78,800 was posted as a capital outlay expenditure in 2005
- Public Works expenditures in the Special Levy fund in the amounts of \$82,000 in 2005 and \$15,718 in 2006 were posted as general government expenditures
- Township road allowance monies in the amount of \$16,488 was posted as \$6,533 of miscellaneous revenue and \$9,955 of intergovernmental revenue in 2006
- Unrecorded liabilities of \$27,782 in 2005 and \$24,489 in 2006 had to be posted to the financial statements.

As a result, the Township's financial statements did not correctly reflect the financial activity of the Township. The accompanying financial statements have been adjusted so these transactions reflect their intended use.

We recommend that the Fiscal Officer post all transactions in accordance with the guidance established by the Ohio Township Handbook issued by the Auditor of State. Further, the Township should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and Trustees to ensure that errors and omissions are detected and corrected.

Official's Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and order for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**FINDING NUMBER 2006-002
(Continued)**

1. “Then and Now” certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township had \$29,489 and \$27,782 in outstanding purchase commitments at December 31, 2006 and 2005 which were not certified at year end. The accompanying budgetary presentation footnote has been adjusted to reflect this amount as an outstanding encumbrance at each year end in the Special Revenue Fund.

Certification is not only required by Ohio law, but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Township funds being over expended or exceeding budgetary spending limitations as set by the Trustees.

To improve controls over disbursements, we recommend all Township disbursements receive prior certification of the Fiscal Officer and the Trustees periodically review the expenditures made to ensure they are within the appropriations adopted by the Trustees, certified by the Fiscal Officer, and recorded against appropriations.

Official’s Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-003

Finding for Recovery

We are proposing a Finding for Recovery for the following reason:

Ohio Rev. Code Section 505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the township will not reimburse the officer or employee.

Attorney General Opinion 2005-038 determined that township officer's and employees could be reimbursed for out-of-pocket premium expenses attributable to an officer/employee that are obtained through a spouse's employer. However, the reimbursement through a spouse's plan is limited to the "out-of-pocket premium that the officer or employee incurs", because the policies described in 505.60(A) do not include family coverage. Therefore, the township should not reimburse for premium costs attributable to the spouse or dependents. There is no authority, statutory or otherwise, for reimbursement of the premium costs attributable to an officer/employee's spouse or dependents.

In addition, Township Resolution 96-1, limits the maximum reimbursement to trustees, clerk, and employees who participate in the Township's health insurance reimbursement plan to actual out of pocket premium costs, not to exceed 80% of the premium or \$9,000 per year per individual.

The Township mistakenly believed that it could reimburse its officers/employees for the out of pocket premium associated with family coverage. As stated above, a township may only reimburse an officer/employee for the premium attributable to that officer/employee. All such warrants for reimbursement for out-of-pocket premiums were signed by the Trustees and the Fiscal Officer.

The Township reimbursed Richard Myers, Township Trustee for 80% of the out-of-pocket premium for family health care coverage. This reimbursement should have only been for the out-of-premium related to Richard Myers. The warrant was signed by Jon Myers, Fiscal Officer, Terry Miller, Township Trustee, and Ron Crawford, Township Trustee.

**FINDING NUMBER 2006-003
 (Continued)**

Out-of Pocket Premium	2006	2005	Total
Family Rate	\$8,228.80	\$7,006.51	
Maximum 80% Township reimbursement	0.80	0.80	
	<u>6,583.04</u>	<u>5,605.21</u>	12,188.25
Single Rate	\$4,163.79	\$3,542.61	
Maximum 80% Township reimbursement	0.80	0.80	
	<u>3,331.03</u>	<u>2,834.09</u>	6,165.12
Overpayment			<u><u>\$ 6,023.13</u></u>

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 OP. Atty Gen. No. 80-074.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Richard Myers, Township Trustee of Washington Township, Ohio Government Risk Management Plan, his bonding company, Jon Myers, Fiscal Officer of Washington Township, Ohio Government Risk Management Plan, his bonding company, Terry Miller, Township Trustee, Ohio Government Risk Management Plan, his bonding company, Ron Crawford, Township Trustee, and Ohio Government Risk Management Plan, his bonding company, jointly and the severally in the amount of \$6,023.13, and in favor of Washington Township's General Fund.

Jon Myers, Terry Miller, and Ron Crawford shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Richard Myers, Township Trustee.

Official's Response

The Washington Township Trustees and Fiscal Officer disagree with the above finding. This finding has been presented to the Henry County Prosecuting Attorney for his review and interpretation. The Washington Township Trustees and Fiscal Officer will conform to the recommendations of the Henry County Prosecuting Attorney.

FINDING NUMBER 2006-004

Finding for Recovery

We are proposing a Finding for Recovery for the following reason:

Ohio Rev. Code Section 505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the township will not reimburse the officer or employee.

Attorney General Opinion 2005-038 determined that township officer's and employees could be reimbursed for out-of-pocket premium expenses attributable to an officer/employee that are obtained through a spouse's employer. However, the reimbursement through a spouse's plan is limited to the "out-of-pocket premium that the officer or employee incurs", because the policies described in 505.60(A) do not include family coverage. Therefore, the township should not reimburse for premium costs attributable to the spouse or dependents. There is no authority, statutory or otherwise, for reimbursement of the premium costs attributable to an officer/employee's spouse or dependents.

In addition, Township Resolution 96-1, limits the maximum reimbursement to trustees, clerk, and employees who participate in the Township's health insurance reimbursement plan to actual out of pocket premium costs, not to exceed 80% of the premium or \$9,000 per year per individual.

The Township mistakenly believed that it could reimburse its officers/employees for the out of pocket premium associated with family coverage. As stated above, a township may only reimburse an officer/employee for the premium attributable to that officer/employee. All such warrants for reimbursement for out-of-pocket premiums were signed by the Trustees and the Fiscal Officer.

The Township reimbursed Terry Miller, Township Trustee for 80% of the total out-of-pocket premium for family health care coverage. This reimbursement should have only been for the out-of-premium related to Terry Miller. The warrant in question was signed by Jon Myers, Fiscal Officer, Ron Crawford, Township Trustee, and Richard Myers, Township Trustee.

**FINDING NUMBER 2006-004
 (Continued)**

Out-of Pocket Premium	2005
Family Rate	\$4,386.30
Maximum 80% Township reimbursement	0.80
	3,509.04
Single Rate	\$3,233.80
Maximum 80% Township reimbursement	0.80
	2,587.04
Overpayment	\$ 922.00

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 OP. Atty Gen. No. 80-074.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Terry Miller, Township Trustee, Ohio Government Risk Management Plan, his bonding company, Jon Myers, Fiscal Officer, Ohio Government Risk Management Plan, his bonding company, Ron Crawford, Township Trustee, Ohio Government Risk Management Plan, his bonding company, Richard Myers, Township Trustee, and Ohio Government Risk Management, his bonding company, jointly and the severally in the amount of \$922, and in favor of Washington Township's General Fund.

Jon Myers, Richard Myers, and Ron Crawford shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Terry Miller, Township Trustee.

Official's Response

The Washington Township Trustees and Fiscal Officer disagree with the above finding. This finding has been presented to the Henry County Prosecuting Attorney for his review and interpretation. The Washington Township Trustees and Fiscal Officer will conform to the recommendations of the Henry County Prosecuting Attorney.

FINDING NUMBER 2006-005

Finding for Recovery

We are proposing a Finding for Recovery for the following reason:

Ohio Rev. Code Section 505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the township will not reimburse the officer or employee.

Attorney General Opinion 2005-038 determined that township officer's and employees could be reimbursed for out-of-pocket premium expenses attributable to an officer/employee that are obtained through a spouse's employer. However, the reimbursement through a spouse's plan is limited to the "out-of-pocket premium that the officer or employee incurs", because the policies described in 505.60(A) do not include family coverage. Therefore, the township should not reimburse for premium costs attributable to the spouse or dependents. There is no authority, statutory or otherwise, for reimbursement of the premium costs attributable to an officer/employee's spouse or dependents.

In addition, Township Resolution 96-1, limits the maximum reimbursement to trustees, clerk, and employees who participate in the Township's health insurance reimbursement plan to actual out of pocket premium costs, not to exceed 80% of the premium or \$9,000 per year per individual.

The Township mistakenly believed that it could reimburse its officers/employees for the out of pocket premium associated with family coverage. As stated above, a township may only reimburse an officer/employee for the premium attributable to that officer/employee. All such warrants for reimbursement for out-of-pocket premiums were signed by the Trustees and the Fiscal Officer.

The Township reimbursed Ken Nye, Township employee, for 80% of the total out-of-pocket premium for family health care coverage obtained through his wife's employer. This reimbursement should have only been for the out-of-premium related to Ken Nye. This warrant was signed by Jon Myers, Township Fiscal Officer, Richard Myers, Township Trustee, Terry Miller, Township Trustee, and Ron Crawford, Township Trustee.

**FINDING NUMBER 2006-005
 (Continued)**

<u>Out-of Pocket Premium (rate per month)</u>	<u>2006</u>	<u>2005</u>	<u>Total</u>
Family Rate	\$ 257.40	\$ 257.40	
Single Rate	(128.70)	(128.70)	
	<u>128.70</u>	<u>128.70</u>	
Months per Year	12	12	
Annual Difference	\$ 1,544.40	\$ 1,544.40	
Maximum 80% Township reimbursement	80%	80%	
Overpayment	<u>\$ 1,235.52</u>	<u>\$ 1,235.52</u>	<u>\$ 2,471.04</u>

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 OP. Atty Gen. No. 80-074.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Ken Nye, Township employee, Jon Myers, Fiscal Officer, Ohio Government Risk Management Plan, his bonding company, Richard Myers, Township Trustee, Ohio Government Risk Management Plan, his bonding company, Terry Miller, Township Trustee, Ohio Government Risk Management Plan, his bonding company, Ron Crawford, Township Trustee, and Ohio Government Risk Management Plan, his bonding company, jointly and severally in the amount of \$2,471.04, and in favor of Washington Township's General Fund.

Jon Myers, Richard Myers, Terry Miller, and Ron Crawford shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Ken Nye, Township employee.

Official's Response

The Washington Township Trustees and Fiscal Officer disagree with the above finding. This finding has been presented to the Henry County Prosecuting Attorney for his review and interpretation. The Washington Township Trustees and Fiscal Officer will conform to the recommendations of the Henry County Prosecuting Attorney.

FINDING NUMBER 2006-006

Finding for Recovery

We are proposing a Finding for Recovery for the following reason:

Ohio Rev. Code Section 505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

**FINDING NUMBER 2006-006
 (Continued)**

(A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to

reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the township will not reimburse the officer or employee.

Attorney General Opinion 2005-038 determined that township officer's and employees could be reimbursed for out-of-pocket premium expenses attributable to an officer/employee that are obtained through a spouse's employer. However, the reimbursement through a spouse's plan is limited to the "out-of-pocket premium that the officer or employee incurs", because the policies described in 505.60(A) do not include family coverage. Therefore, the township should not reimburse for premium costs attributable to the spouse or dependents. There is no authority, statutory or otherwise, for reimbursement of the premium costs attributable to an officer/employee's spouse or dependents.

In addition, Township Resolution 96-1, limits the maximum reimbursement to trustees, clerk, and employees who participate in the Township's health insurance reimbursement plan to actual out of pocket premium costs, not to exceed 80% of the premium or \$9,000 per year per individual.

The Township mistakenly believed that it could reimburse its officers/employees for the out of pocket premium associated with family coverage. As stated above, a township may only reimburse an officer/employee for the premium attributable to that officer/employee. All such warrants for reimbursement for out-of-pocket premiums were signed by the Trustees and the Fiscal Officer.

The Township reimbursed Jon Myers, Township Fiscal Officer for 80% of the total out-of-pocket premium for family health care coverage through his employer. This reimbursement should have only been for the out-of-premium related to Jon Myers. This warrant was also signed by Richard Myers, Township Trustee, Terry Miller, Township Trustee, and Ron Crawford, Township Trustee.

<u>Out-of Pocket Premium</u>	<u>2006</u>	<u>2005</u>	<u>Total</u>
Family Rate	\$2,122.64	\$2,104.00	
Maximum 80% Township reimbursement	0.80	0.80	
	<u>1,698.11</u>	<u>1,683.20</u>	<u>3,381.31</u>
Single Rate	\$728.00	\$728.00	
Maximum 80% Township reimbursement	0.80	0.80	
	<u>582.40</u>	<u>582.40</u>	<u>1,164.80</u>
Overpayment			<u><u>\$ 2,216.51</u></u>

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

**FINDING NUMBER 2006-006
(Continued)**

Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 OP. Atty Gen. No. 80-074.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Jon Myers, Fiscal Officer, Ohio Government Risk Management Plan, his bonding company, Richard Myers, Township Trustee, Ohio Government Risk Management Plan, his bonding company, Terry Miller, Township Trustee, Ohio Government Risk Management Plan, his bonding company, Ron Crawford, Township Trustee, and Ohio Government Risk Management Plan, his bonding company, jointly and the severally in the amount of \$2,216.51, and in favor of Washington Township's General Fund.

Richard Myers, Terry Miller, and Ron Crawford shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Jon Myers, Township Fiscal Officer.

Official's Response

The Washington Township Trustees and Fiscal Officer disagree with the above finding. This finding has been presented to the Henry County Prosecuting Attorney for his review and interpretation. The Washington Township Trustees and Fiscal Officer will conform to the recommendations of the Henry County Prosecuting Attorney.

WASHINGTON TOWNSHIP
HENRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Finding for Recovery Repaid Under Audit- Ohio Revised Code §507.09 overpayment of Fiscal Officer	Yes	



Mary Taylor, CPA
Auditor of State

WASHINGTON TOWNSHIP

HENRY 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
JANUARY 22, 2008