

**Washington Township
Hardin County, Ohio
Financial Statements
December 31, 2007 and 2006**



Mary Taylor, CPA

Auditor of State

Board of Trustees
Washington Township
11369 St Rt 81
Dola, Ohio 45835

We have reviewed the *Independent Auditors' Report* of Washington Township, Hardin County, prepared by Taylor, Applegate, Hughes & Associates, Ltd., for the audit period January 1, 2006 through December 31, 2007. 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.

Finding for Adjustment:

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036.

By resolution, Ohio Revised Code Section 505.24(C) permits trustees to receive annual salaries instead of per diem payments. When paid by salary, Ohio Revised Code Section 505.24(C) does not prescribe a "documentation of time spent" requirement.

However, for salaries not paid from the general fund, effective October 19, 2004, OAG Opinion 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered.

Board of Trustees
Washington Township, Hardin County
11369 St Rt 81
Dola, Ohio 45835
Page -2-

The “administrative procedures” can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

Per the above, trustees must keep records of the time spent on various tasks and the fund to which the township will charge their costs. (The sole exception to this is for trustees charging all salaries to the general fund, as described above.) There is no one method for documenting time and the kinds of services rendered. A diary, time sheets or other methods will suffice if they include the information described above.

For 2006, Washington Township allocated trustee salaries, Ohio Public Employees Retirement payments, Bureau of Workers’ Compensation charges, and Medicare payments to the General Fund and Gasoline Tax Fund. During 2006, \$28,916.91 of trustee salaries (including Bureau of Workers’ Compensation charges and Ohio Public Employees Retirement and Medicare payments) were charged to the Gasoline Tax Fund. Records for the time spent on various tasks and the fund to which the township should charge their costs did not support the charges to the Gasoline Tax Fund.

Accordingly, a Finding For Adjustment is issued for the following funds:

2006	Increase Cash <u>Balance</u>	Decrease Cash <u>Balance</u>
General Fund		\$28,916.91
Gasoline Tax Fund	\$28,916.91	

We recommend that the Township Board of Trustees adopt a resolution to pay the Trustees by per diem or annual salary and develop appropriate methods for documenting the proportion of expenses that are incurred by the trustees for managing, maintaining and operating the services provided from funds other than the general fund in order to support the proportion of the trustee’s salary that is eligible for payment from the fund.

Board of Trustees
Washington Township, Hardin County
11369 St Rt 81
Dola, Ohio 45835
Page -3-

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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 9, 2008

THIS PAGE INTENTIONALLY LEFT BLANK

Washington Township
Hardin County, Ohio

Table of Contents

<u>Title</u>	<u>Page</u>
Independent Auditors' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances –All Governmental Fund Types for the Year Ended December 31, 2007	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	4
Notes to the Financial Statements	5
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	15

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITORS' REPORT

Washington Township
11369 St. Rt. 81
Dola, OH 45835

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Hardin County, Ohio, (the Township), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements, GAAP requires 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 require 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 governments 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 effect of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

In 2006, the Township improperly posted \$28,917 of the Trustees' salary, benefits, and employer payroll taxes to the Gasoline Fund and Cemetery Fund. This disbursement amount was due to be paid from the General Fund. Had the adjustments been posted to the Township's accounting records, the 2006 General Fund expenditures would have increased \$28,917 and the December 31, 2006 General Fund cash balance would have decrease by \$28,917. The 2006 Special Revenue expenditures would have decreased \$28,917 and the December 31, 2006 Special Revenue cash balance would have increased \$28,917.

Also, in our opinion, because of the effect of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in all material respects the combined fund cash balances and reserves for encumbrances of Washington Township, Hardin County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2007 and 2006. 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 a report dated June 30, 2008, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of than audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Taylor, Applegate, Hughes & Assoc., Ltd.

Taylor, Applegate, Hughes and Associates, Ltd.
June 30, 2008

**WASHINGTON TOWNSHIP
HARDIN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUNDS TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Local Taxes	43,812	11,343		55,155
Charges for Services				-
Intergovernmental	29,424	105,194	128,480	263,098
Fines, licenses, and permits				-
Earnings on investment	10,110	4,634		14,744
Miscellaneous	210	4,982	-	5,192
	<u>83,556</u>	<u>126,153</u>	<u>128,480</u>	<u>338,189</u>
Total Cash Receipts				
	83,556	126,153	128,480	338,189
Cash Disbursements:				
Current:				
General government	74,754	11		74,765
Public works	1,560	140,797		142,357
Health		9,011		9,011
Conservation/Recreation	18,453	1,038		19,491
Capital outlay	2,960	-	136,379	139,339
	<u>97,727</u>	<u>150,857</u>	<u>136,379</u>	<u>384,963</u>
Total Cash Disbursements				
	97,727	150,857	136,379	384,963
Total Receipts Over/(Under) Disbursements	(14,171)	(24,703)	(7,899)	(46,773)
Other Financing Receipts/(Disbursements):				
Other Financing Sources	11,717	-	-	11,717
	<u>11,717</u>	<u>-</u>	<u>-</u>	<u>11,717</u>
Total Other Financing Receipts/(Disbursements)				
	11,717	-	-	11,717
Total of Receipts and Other Sources Over (Under) Disbursements and Other Uses	<u>(2,454)</u>	<u>(24,703)</u>	<u>(7,899)</u>	<u>(35,056)</u>
Fund cash balances January 1, 2007	245,748	106,631	10,718	363,097
Fund cash balances, December 31, 2007	<u>243,294</u>	<u>81,928</u>	<u>2,819</u>	<u>328,041</u>
Reserve for Encumbrances - December 31, 2007	<u>\$ 799</u>	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ 844</u>

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

**WASHINGTON TOWNSHIP
HARDIN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUNDS TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Local Taxes	\$ 38,757	\$ 9,112		\$ 47,869
Charges for services				-
Intergovernmental	89,473	98,912		188,385
Fines, licenses, and permits				-
Earnings on investment	8,011	3,710		11,721
Miscellaneous	1,215	3,927	-	5,142
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	137,456	115,661	-	253,117
Cash Disbursements:				
Current:				
General government	46,632	353		46,985
Public safety	9,886			9,886
Public works	1,404	129,920		131,324
Health	-	2,937		2,937
Conservation/Recreation	845	1,018		1,863
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	58,767	134,228	-	192,995
Total Receipts Over/(Under) Disbursements	78,689	(18,567)	-	60,122
Other Financing Receipts/(Disbursements):				
Other Financing Sources	125	-	10,718	10,843
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	125	-	10,718	10,843
	<hr/>	<hr/>	<hr/>	<hr/>
Total of Receipts and Other Sources Over (Under) Disbursements and Other Uses	78,814	(18,567)	10,718	70,965
	<hr/>	<hr/>	<hr/>	<hr/>
Fund cash balances, January 1, 2006	\$ 166,934	\$ 125,198	\$ -	\$ 292,132
Fund cash balances, December 31, 2006	<u>\$ 245,748</u>	<u>\$ 106,631</u>	<u>\$ 10,718</u>	<u>\$ 363,097</u>
Reserve for Encumbrances - Decembear 31, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**WASHINGTON TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

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, Hardin County, (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township also has an elected Township Fiscal Officer. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with Ada-Liberty Joint Ambulance District and Blanchard Dunkirk Joint Ambulance District to provide emergency medical services to its residents.

The Township participates in one jointly governed organization and the Ohio Township Association Risk Management Authority public entity risk pool. Notes 6 and 7 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organization:

Hardin County Regional Planning Commission – makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority – provides property and casualty coverage

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 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.

**WASHINGTON TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash and Investments

Demand deposits, savings accounts, and certificates of deposit are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is used for reporting 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 expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

Motor Vehicle License Tax Fund - This fund is used to receive tax money for maintaining and repairing township roads.

Cemetery Fund - This fund is used to receive money and fees from the sale of lots, grave openings and grave closings for the purpose of maintaining and operating the Township cemeteries.

Road and Bridge Fund - This fund is used to receive property tax money for constructing, maintaining and repairing Township roads and bridges.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

Township Road 30 Reconstruction - This fund received an Ohio Public Works Commission Grant for reconstruction of Township Road 30. The Township was required to pay matching funds.

**WASHINGTON TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

3. Capital Project Funds, Continued

Township Road 125 Reconstruction - This fund received an Ohio Public Works Commission Grant for reconstruction of Township Road 125. The Township was required to pay matching funds.

E. Budgetary Process

The Ohio Revised Code Requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 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.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**WASHINGTON TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Demand deposits	<u>328,041</u>	<u>363,097</u>
Total Deposits	<u>328,041</u>	<u>363,097</u>

Deposits

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

3. BUDGETARY ACTIVITY

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$295,525	\$95,273	(\$200,252)
Special Revenue	229,733	126,153	(103,580)
Capital Projects	<u>1</u>	<u>128,480</u>	<u>128,479</u>
Total	<u>\$525,259</u>	<u>\$349,906</u>	<u>(\$175,353)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$294,600	\$98,526	\$196,074
Special Revenue	217,400	150,902	66,498
Capital Projects	<u>10,718</u>	<u>136,379</u>	<u>(125,661)</u>
Total	<u>\$522,718</u>	<u>\$385,807</u>	<u>\$136,911</u>

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$234,149	\$137,581	(\$96,568)
Special Revenue	211,671	115,661	(96,010)
Capital Projects	<u>-0-</u>	<u>10,718</u>	<u>10,718</u>
Total	<u>\$445,820</u>	<u>\$263,960</u>	<u>(\$181,860)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$232,700	\$58,767	\$173,933
Special Revenue	<u>210,800</u>	<u>134,228</u>	<u>76,572</u>
Total	<u>\$443,500</u>	<u>\$192,995</u>	<u>\$250,505</u>

**WASHINGTON TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

4. PROPERTY TAXES

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

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. OPERS' members contributed 9.5 percent (2007) and 9.0 percent (2006) of their gross salaries. The Township contributed an amount equaling 13.85 percent (2007) and 13.7 percent (2006) of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

6. RISK MANAGEMENT

Risk Pool Membership

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**WASHINGTON TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

6. RISK MANAGEMENT, Continued

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$25,000, up to \$1.75 million per claim and \$10 million in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$250,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2.65 million for each claim and \$10 million in the aggregate per year.

Townships can elect additional coverage up to \$10 million with the General Reinsurance Corporation, through contacts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$56 million per year, subject to a per-claim limit of \$2 million (for claims prior to January 1, 2006) or \$3 million (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) are in conformity with generally accepted accounting principals, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005 (the latest information available).

**WASHINGTON TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

6. RISK MANAGEMENT, Continued

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

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member townships in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$7,700. This payable included the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the past three years are as follows:

<u>Contributions to OTARMA</u>	
2005	\$5,051
2006	\$4,659
2007	\$3,850

7. JOINTLY GOVERNED ORGANIZATIONS

Hardin County Regional Planning Commission

The Hardin County Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office.

**WASHINGTON TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006**

7. JOINTLY GOVERNED ORGANIZATIONS, Continued

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326

8. CONTINGENCY

The Township was sued by a property owner for an alleged violation of his civil rights arising out of destruction and removal of personal property by various governmental authorities. The case has been tentatively settled. In the estimation of legal council, the maximum exposure to the Township is the deductible in its insurance policy.

Independent Auditors' Report on Internal Control over Financial
Reporting and On Compliance and Other Matters Required by
Government Auditing Standards

Washington Township
11369 St. Rt. 81
Dola, OH 45835

To the Board of Trustees:

We have audited the financial statements of Washington Township, Hardin County, (the Township) as of and for the years ended December 31, 2007, and December 31, 2006, and have issued our report thereon dated June 30, 2008 wherein we noted the Township followed accounting practices the Auditor of State 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 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of the 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 considered significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting principles such that there more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Internal Control Over Financial Reporting, Continued

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-01 through 2007-02.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 or material weaknesses. However, of the significant deficiencies described above, we believe finding numbered 2007-001 is also a material weakness.

Compliance

As part of reasonably assuring whether the Township's financial statements are free of material misstatements, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially effect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under Governmental Auditing Standards, which are described in the accompanying schedule of findings as items 2007-001 and 2007-003.

We intend this report solely for the information and use of management, the audit committee and the Board of Trustees. It is not intended for anyone other than these specified parties.

Taylor, Applegate, Hughes & Assoc., Ltd.

Taylor, Applegate, Hughes and Associates, Ltd.
June 30, 2008

**WASHINGTON TOWNSHIP
HARDIN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 and 2006**

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

FINDING NUMBER 2007-01

Noncompliance/Material Weakness

Auditor of State Bulletin 2000-008, (This bulletin updates and combines the guidance provided in prior bulletins on State Issue II grants (MAS Bulletin 89017) and the retainage contracts (MAS 89-11)) state that a local government shall include in its official or amended certificates of estimated resources that amount of Issue II monies anticipated to be received into the project fund during the year, along with its matching requirements, if appropriate. The fund appropriations should include the amount necessary to meet the obligations to be incurred during the fiscal year. If the project is not expected to be completed in the current year, the remainder of the project must be appropriated immediately in the subsequent year(s).

The Township failed to record the \$128,480 disbursed in 2007 by Ohio Public Works Commission (OPWC) on behalf of Washington Township. In addition, the Township failed to include the OPWC revenues in their Certificate of Estimated Resources amendments. Furthermore, the Township did not appropriate the OPWC funding sources for the year, contrary to the above requirements. The budgetary variance as disclosed in Note 3 is a result of the Township not budgeting the activity discussed in the Audit Bulletin. The Township should follow the guidance in AOS Bulletin 2000-008 to accurately present the Township's financial activity when State funding or on-behalf funding is received.

The financial statements for 2007 were adjusted to present the OPWC receipts and expenditures on behalf of the Township.

Township Response: We received no response for this finding.

FINDING NUMBER 2007-002

Noncompliance

Ohio Constitution XII, Section 5a Ohio Constitution and Code Section 135.21 require that interest earned on money must be credited to the general fund of the subdivision unless an exception applies. 1982 Op. Atty. Gen. No. 82-031 requires that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal. Interest earned on deposits from the Cemetery Fund and Road & Bridge Fund was not credited proportionately to the general fund during 2006 and 2007. Interest earned on the deposits from the Gasoline Tax Fund was not credited proportionately to the Gasoline Tax Fund for 2006 and 2007. Interest earned on the deposits from the Motor Vehicle License Tax was not credited proportionately to the Motor Vehicle License Tax for 2006 and 2007. An adjustment of \$842 from the Gasoline Tax Fund and \$1,084 from the Motor Vehicle License Tax to the General Fund was required to properly distribute the 2006 interest. An adjustment of \$1,434 from the Gasoline Tax Fund and \$1,304 from the Motor Vehicle License Tax to the General Fund was required to properly distribute the 2007 interest.

FINDING NUMBER 2007-002, Continued

The Township's Fiscal Officer should properly distribute interest to the appropriate funds based on average monthly cash fund balances of the funds required to receive interest.

The Township has posted the adjustments to their accounting records and the accompanying financial statements.

Township Response: We received no response for this finding.

FINDING NUMBER 2007-003

Noncompliance

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.

There are several exceptions to the standard requirement state 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.

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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village 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 Village.
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.

FINDING NUMBER 2007-003, Continued

3. **Super Blanket Certificate** – The Village 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 did not properly certify the availability of funds prior to purchase commitment for 100% of the expenditures tested and the exceptions listed above were not utilized. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Township's fiscal officer certify that the funds are or will be available prior to the obligations by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Fiscal Officer sign all purchase orders to which section 5704.41(D) applies. The fiscal officer should sign the certification at the time the Township incurs a commitment.

Township Response: We received no response for this finding.



Mary Taylor, CPA
Auditor of State

WASHINGTON TOWNSHIP

HARDIN 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 6, 2008**