



Mary Taylor, CPA  
Auditor of State



WASHINGTON TOWNSHIP  
HIGHLAND COUNTY

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**Mary Taylor, CPA**  
Auditor of State

Washington Township  
Highland County  
4244 State Route 73  
Hillsboro, Ohio 45133

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.

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**Mary Taylor, CPA**  
Auditor of State

August 26, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Washington Township  
Highland County  
4244 State Route 73  
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Highland 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, during 2007 and 2006, the Township revised its financial statement presentation to follow 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, 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, or its changes in financial position for the years then ended.

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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, Highland 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 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 August 26, 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. 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.

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

August 26, 2008

**WASHINGTON TOWNSHIP  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$12,769	\$46,879	\$59,648
Intergovernmental	34,618	100,392	135,010
Earnings on Investments	1,289	143	1,432
Miscellaneous	<u>3,277</u>	<u>1,612</u>	<u>4,889</u>
 Total Cash Receipts	 <u>51,953</u>	 <u>149,026</u>	 <u>200,979</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	52,983		52,983
Public Safety		15,421	15,421
Public Works		99,928	99,928
Health	<u>3,093</u>		<u>3,093</u>
 Total Cash Disbursements	 <u>56,076</u>	 <u>115,349</u>	 <u>171,425</u>
 Total Receipts Over/(Under) Disbursements	 <u>(4,123)</u>	 <u>33,677</u>	 <u>29,554</u>
 Fund Cash Balances, January 1	 <u>209,523</u>	 <u>143,007</u>	 <u>352,530</u>
 <b>Fund Cash Balances, December 31</b>	 <b><u><u>\$205,400</u></u></b>	 <b><u><u>\$176,684</u></u></b>	 <b><u><u>\$382,084</u></u></b>

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

**WASHINGTON TOWNSHIP  
HIGHLAND 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**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$10,581	\$42,722	\$53,303
Intergovernmental	10,917	102,655	113,572
Earnings on Investments	5,005		5,005
Miscellaneous	43	2,338	2,381
	<u>26,546</u>	<u>147,715</u>	<u>174,261</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
General Government	25,877		25,877
Public Safety		15,246	15,246
Public Works		117,702	117,702
Health	2,580		2,580
	<u>28,457</u>	<u>132,948</u>	<u>161,405</u>
<b>Total Cash Disbursements</b>			
Total Receipts Over/(Under) Disbursements	<u>(1,911)</u>	<u>14,767</u>	<u>12,856</u>
<b>Other Financing Receipts / (Disbursements):</b>			
Transfers-In		7,393	7,393
Transfers-Out		(7,393)	(7,393)
	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Other Financing Receipts / (Disbursements)</b>			
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(1,911)	14,767	12,856
Fund Cash Balances, January 1	<u>211,434</u>	<u>128,238</u>	<u>339,672</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$209,523</u></b>	<b><u>\$143,005</u></b>	<b><u>\$352,528</u></b>
Reserve for Encumbrances, December 31	<u>\$3,122</u>	<u>\$0</u>	<u>\$3,122</u>

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

**WASHINGTON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
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 the Washington Township, Highland County, Ohio (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, and fire protection. The Township contracts with the City of Hillsboro to provide fire services.

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

**B. Accounting Basis**

During 2005 and 2004, the Township followed the cash basis of accounting. However, its financial statement presentation format and disclosures conformed with generally accepted accounting principles applicable to the cash accounting basis.

During 2007 and 2006, the Township continued to use the cash accounting basis, but revised its financial statement presentation format to follow the accounting basis the Auditor of State prescribes or permits. 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).

For 2007 and 2006, the fund financial statements now present a column for each fund type rather than presenting each major fund in a separate column with nonmajor funds aggregated and presented in a single column. Also, the Township does not present for 2007 and 2006 the statement of net assets and the statement of activities.

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

**C. Jointly Governed Organization**

The Township is part of the Highland County Joint Township Hospital District, a jointly governed organization established for the public purpose of better providing for the health and welfare of the people primarily of Highland County. Trustees from each of the 17 townships of Highland County constitute the Highland County Joint Township Hospital Board of Trustees who appoints the Hospital Board of Governors which is composed of one member from each township and three at-large members.

**D. Cash and Deposits**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost.

**WASHINGTON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. 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:

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

**F. 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 2007 and 2006 budgetary activity appears in Note 3.

**WASHINGTON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**G. 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.

**2. Equity in Pooled Cash and Deposits**

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

	2007	2006
Demand deposits	\$182,084	\$252,528
Certificates of deposit	200,000	100,000
Total deposits	\$382,084	\$352,528

**Deposits:** 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, 2007 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,125	\$51,953	\$28,828
Special Revenue	150,945	149,026	(1,919)
Total	\$174,070	\$200,979	\$26,909

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$232,648	\$56,076	\$176,572
Special Revenue	293,987	115,349	178,638
Total	\$526,635	\$171,425	\$355,210

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,145	\$26,546	(\$11,599)
Special Revenue	152,220	155,108	2,888
Total	\$190,365	\$181,654	(\$8,711)

**WASHINGTON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. Budgetary Activity (Continued)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$249,579	\$31,579	\$218,000
Special Revenue	280,458	140,341	140,117
Total	\$530,037	\$171,920	\$358,117

**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.

**5. Retirement Systems**

The Township's elected officials 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. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**6. Risk Management**

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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**WASHINGTON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**6. Risk Management (Continued)**

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

**WASHINGTON TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**6. Risk Management (Continued)**

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$5,000. This payable includes 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.

<u>Contributions to OTARMA</u>	
2005	\$2,325
2006	\$2,331
2007	\$1,870

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**7. Compliance**

During 2006, the Township did not pay trustee compensation out of the correct funds. During 2007, the Township did not consistently prepare documentation for trustee time.



# 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  
Highland County  
4244 State Route 73  
Hillsboro, Ohio 45133

To the Township Board of Trustees:

We have audited the financial statements of the Washington Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 26, 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 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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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.

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We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-002 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 August 26, 2008.

#### **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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated August 26, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

August 26, 2008

**WASHINGTON TOWNSHIP  
HIGHLAND 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 2007-001**

**Material Noncompliance/Significant Deficiency**

Ohio Admin. Code, Section 117-2-01(D), states, in part, that when designing a public office's system of internal control and the specific control activities, management should consider:

- Ensuring that all transactions are properly authorized in accordance with management's policies; and
- Ensuring that accounting records are properly designed.

We noted the following posting errors in the Township's accounting records:

- The Township's fiscal officer misposted public works expenditures to capital outlay in the following funds:

Fund	2007 Amount	2006 Amount
Road and Bridge	\$11,073	\$8,929
Motor Vehicle License	\$8,000	\$10,980
Gasoline Tax	\$63,544	\$57,325

- The Township's fiscal officer misposted funds received for the road sealing grants from Highland County as other receipts rather than intergovernmental in the Road and Bridge fund in the amount of \$2,532 in each year.
- The Township's fiscal officer misposted public utilities reimbursements and personal property tax exemptions as other receipts rather than intergovernmental as follows:

Fund	2007 Amount	2006 Amount
General	\$116	\$16
Road and Bridge	\$48	\$14
Fire Levy	\$180	\$0

- The Township utilized then and now certifications rather than prior certification of expenditures resulting in unrecorded encumbrances at year end. Audit adjustments were made in the amount of \$3,122 in the general fund to report material outstanding encumbrances.

More care should be given to the posting of Township receipts and expenditures. Since this information is carried forward to the Township's annual financial report and is the presentation of the Township's financial position, it is of the utmost importance that the report fairly and accurately presents the Township's true financial status.

Officials should also periodically review the records to determine accuracy and to verify that proper procedures were followed by the fiscal officer. These periodic reviews should be noted in the minutes, and documents reviewed should be initialed by the reviewer.

**Officials' Response:**

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

**FINDING NUMBER 2007-002**

**Material Noncompliance/Material Weakness**

**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 Opinion 2004-036. This section requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. 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(s) 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. The requirements of Ohio Rev. Code Section 505.24(C) were noted in the Management Letter of the audit of Washington Township for years ending December 31, 2005 and 2004.

Contrary to above, the Township adopted a resolution to charge nine months of trustee compensation to the Gas tax fund and three months of trustee compensation to the General fund. For 2007, the Township Trustees did not consistently prepare documentation for how they spent their time. It is necessary for township trustees to document their time in order to substantiate that salaries were allocated to the proper funds. As a result, the audited financial statements have been adjusted to increase General Fund expenditures and decrease Gasoline Tax Fund expenditures by \$22,011 in 2007 to properly allocate trustee compensation.

We recommend that the Township Board of Trustees adopt a resolution to pay trustees by salary or per diem compensation, which includes the documentation requirements for processing payroll costs. We further recommend to the Board of Trustees that they follow the procedures of Ohio Rev. Code Section 505.24(C) and Ohio Attorney General Opinion 2004-036 when paying a portion of the salaries and benefits from funds other than the General Fund. The Township recorded the above adjustment to their accounting system to correctly report trustee compensation August 26, 2008.

**Officials' Response:**

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



**Mary Taylor, CPA**  
Auditor of State

**WASHINGTON TOWNSHIP**

**HIGHLAND 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  
OCTOBER 2, 2008**