

WASHINGTON TOWNSHIP

DAYTON REGION, SHELBY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005



Mary Taylor, CPA

Auditor of State

Board of Trustees
Washington Township
8680 Fessler-Buxton Rd
Piqua, Ohio 45356

We have reviewed the *Independent Accountants' Report* of Washington Township, Shelby County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2005 through December 31, 2006. 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 Accountants' 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 Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. 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

February 27, 2008

This Page is Intentionally Left Blank.

**WASHINGTON TOWNSHIP
SHELBY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1 – 2
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
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2005	5
Notes to the Financial Statements	6 – 11
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	13 – 14
Schedule of Findings	15 – 17
Schedule of Prior Audit Findings	18

This Page is Intentionally Left Blank.

**MANNING & ASSOCIATES CPAS, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414**

INDEPENDENT ACCOUNTANTS' REPORT

Washington Township
8680 Fessler-Buxton Road
Piqua, Ohio 45356

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Shelby County, Ohio (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. 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 of Washington Township, Shelby 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 a report dated September 14, 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 grants 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.

Manning & Associates CPAs, LLC
Dayton, Ohio

September 14, 2007

This page intentionally left blank

**WASHINGTON TOWNSHIP
SHELBY 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

	<u>Governmental Fund Types</u>				Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Other Local Taxes	\$ 12,054	\$ 105,290	\$ 0	\$ 0	\$ 117,344
Licenses, Permits, and Fees	3,006	3,439	0	0	6,445
Intergovernmental Receipts	68,984	120,587	25,000	0	214,571
Earnings on Investments	655	299	0	44	998
Miscellaneous	233	3,625	0	0	3,858
Total Cash Receipts	<u>84,932</u>	<u>233,240</u>	<u>25,000</u>	<u>44</u>	<u>343,216</u>
Cash Disbursements:					
Current:					
General Government	\$ 33,350	\$ 41,419	\$ 0	\$ 0	\$ 74,769
Public Safety	12,000	328	0	0	12,328
Public Works	0	94,645	0	0	94,645
Health	6,293	7,526	0	0	13,819
Capital Outlay	19,011	30,112	25,000	0	74,123
Total Cash Disbursements	<u>70,654</u>	<u>174,030</u>	<u>25,000</u>	<u>0</u>	<u>269,684</u>
Total Receipts Over/(Under) Disbursements	<u>14,278</u>	<u>59,210</u>	<u>0</u>	<u>44</u>	<u>73,532</u>
Other Financing Receipts/Disbursements					
Sale of Fixed Assets	500	0	0	0	500
Total Other Financing Receipts/(Disbursements)	<u>500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>500</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>14,778</u>	<u>59,210</u>	<u>0</u>	<u>44</u>	<u>74,032</u>
Fund Cash Balances, January 1,	<u>85</u>	<u>87,392</u>	<u>2,239</u>	<u>5,802</u>	<u>95,518</u>
Fund Cash Balances, December 31,	<u>\$ 14,863</u>	<u>\$ 146,602</u>	<u>\$ 2,239</u>	<u>\$ 5,846</u>	<u>\$ 169,550</u>

The Notes to the Financial Statements are an integral part of this statement.

**WASHINGTON TOWNSHIP
SHELBY 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>				Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Other Local Taxes	\$ 11,478	\$ 100,361	\$ 0	\$ 0	\$ 111,839
Licenses, Permits, and Fees	2,646	4,353	0	0	6,999
Intergovernmental Receipts	33,041	102,224	0	0	135,265
Earnings on Investments	299	138	0	20	457
Miscellaneous	36	3,200	0	0	3,236
Total Cash Receipts	<u>47,500</u>	<u>210,276</u>	<u>0</u>	<u>20</u>	<u>257,796</u>
Cash Disbursements:					
Current:					
General Government	\$ 39,512	\$ 35,583	\$ 0	\$ 0	\$ 75,095
Public Safety	4,000	328	0	0	4,328
Public Works	0	80,558	0	0	80,558
Health	6,637	7,252	0	0	13,889
Capital Outlay	0	27,401	1,983	0	29,384
Total Cash Disbursements	<u>50,149</u>	<u>151,122</u>	<u>1,983</u>	<u>0</u>	<u>203,254</u>
Total Receipts Over/(Under) Disbursements	<u>(2,649)</u>	<u>59,154</u>	<u>(1,983)</u>	<u>20</u>	<u>54,542</u>
Other Financing Receipts/Disbursements					
Sale of Fixed Assets	161	0	0	0	161
Total Other Financing Receipts/(Disbursements)	<u>161</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>161</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(2,488)</u>	<u>59,154</u>	<u>(1,983)</u>	<u>20</u>	<u>54,703</u>
Fund Cash Balances, January 1,	<u>2,573</u>	<u>28,238</u>	<u>4,222</u>	<u>5,782</u>	<u>40,815</u>
Fund Cash Balances, December 31,	<u>\$ 85</u>	<u>\$ 87,392</u>	<u>\$ 2,239</u>	<u>\$ 5,802</u>	<u>\$ 95,518</u>

The Notes to the Financial Statements are an integral part of this statement.

**WASHINGTON TOWNSHIP
SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 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, Shelby 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 contracts with the Village of Lockington and the City of Sidney to provide fire services and the City of Sidney and the Houston Ambulance District to provide ambulance services.

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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Township maintained a checking account and certificates of deposit during the audit period. The Township values certificates of deposit 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 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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**WASHINGTON TOWNSHIP
SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

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.

Motor Vehicle License Tax Fund – This fund receives permissive motor vehicle license money to pay for constructing, maintaining, and repairing Township roads.

Road Maintenance Special Levy – This fund receives property tax money to provide road maintenance for the Township roads.

Fire District Fund – This fund receives property tax money to provide fire services to the Township residents.

Beachwood Cemetery Fund – This fund receives money from the sales of cemetery lots and the opening and closing of graves to be used for cemetery upkeep.

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:

Community Development Block Grant Fund – This fund records the grant money received from Community Development Block Grant program used for Township road projects.

4. Permanent Funds

These funds account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant permanent funds:

Lutrell Cemetery Bequest Fund – Amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

Baker Bequest Fund – Amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

**WASHINGTON TOWNSHIP
SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

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 canceled, and reappropriated in the subsequent year. The Township did not encumber all expenditure commitments required by Ohio law.

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

F. 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 INVESTMENTS

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

	<u>2006</u>	<u>2005</u>
Demand deposits	\$165,170	\$91,139
Certificates of Deposit	4,380	4,379
Total deposits	<u>\$169,550</u>	<u>\$95,518</u>

Deposits:

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

WASHINGTON TOWNSHIP
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2006 was as follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 82,514	\$ 85,432	\$ 2,918
Special Revenue	213,789	233,240	19,451
Capital Projects	25,000	25,000	0
Permanent	144	44	(100)
Total	<u>\$ 321,447</u>	<u>\$ 343,716</u>	<u>\$ 22,269</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 82,599	\$ 70,654	\$ 11,945
Special Revenue	299,923	174,030	125,893
Capital Projects	27,239	25,000	2,239
Permanent	5,782	0	5,782
Total	<u>\$ 415,543</u>	<u>\$ 269,684</u>	<u>\$ 145,859</u>

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

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 60,000	\$ 47,661	\$ (12,339)
Special Revenue	190,434	210,276	19,842
Capital Projects	0	0	0
Permanent	30	20	(10)
Total	<u>\$ 250,464</u>	<u>\$ 257,957</u>	<u>\$ 7,493</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 62,573	\$ 50,149	\$ 12,424
Special Revenue	217,413	151,122	66,291
Capital Projects	4,222	1,983	2,239
Permanent	5,802	0	5,802
Total	<u>\$ 290,010</u>	<u>\$ 203,254</u>	<u>\$ 86,756</u>

**WASHINGTON TOWNSHIP
SHELBY COUNTY**

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

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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 SYSTEM

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

OPERS members contribute 9% and 8.5% of their gross salaries for 2006 and 2005, respectively. The Township contributes an amount equal to 13.7% and 13.55% of participants' gross salaries for 2006 and 2005, respectively. The Township has paid all contributions required through December 31, 2006.

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**WASHINGTON TOWNSHIP
SHELBY COUNTY**

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

7. FUND RECLASSIFICATIONS

Beginning January 1, 2005, the Township reclassified its nonexpendable trusts funds. The nonexpendable Cemetery Fund was reclassified to a Permanent Fund to reflect the nature of the fund's activity. These reclassifications resulted in the following changes in fund cash balances at January 1, 2005:

	<u>Permanent Fund</u>	<u>Non-Expendable Trust Fund</u>
Balance, December 31, 2004	\$ 0	\$ 5,804
Reclassification of Fund	5,804	(5,804)
Balance, January 1, 2005	<u>\$ 5,804</u>	<u>\$ 0</u>

This page intentionally left blank

**MANNING & ASSOCIATES CPAS, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Washington Township
Shelby County
8680 Fessler-Buxton Road
Piqua, Ohio 45356

To the Board of Trustees:

We have audited the financial statements of Washington Township, Shelby County (the Township), as of and for the years ended December 31, 2006, and 2005, and have issued our report thereon dated September 14, 2007, 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. The Township has not presented Management's Discussion and Analysis, which accounting principals generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements. 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 opinion 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 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 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 basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-consequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiency in internal control over financial reporting: 2006-004.

Internal Control Over Financial Reporting (continued)

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 2006-004 is also material weakness.

We noted certain matters that we reported to the Township's management in a separate letter dated September 14, 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 grants 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 that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as item 2006-001, 2006-002 and 2006-003.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated September 14, 2007.

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

Manning & Associates CPAs, LLC
Dayton, Ohio

September 14, 2007

WASHINGTON TOWNSHIP
SHELBY COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) 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 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.

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 not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period not exceeding three months (three month limitation was eliminated effective September 26, 2003) or running beyond the current 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 one line item appropriation

**WASHINGTON TOWNSHIP
SHELBY COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001 (Continued)

The results of our tests revealed that in 2006 and 2005, 11 percent and 12 percent, respectively, of the transactions tested were honored by the fiscal officer rather than declaring them null and void due to lack of proper certification. The Township did not properly certify the availability of funds prior to purchase of commitment for several of the contracts that were entered into to and there was no evidence that the Township followed the aforementioned exceptions. It was also noted that purchase orders were issued from the UAN System as a regular purchase order, but were stamped with a "Then & Now" certification regardless of when the purchase was made and when the purchase order was issued. 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 obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Response: The Fiscal Officer will review the exemptions noted above.

FINDING NUMBER 2006-002

Noncompliance Citation

Ohio Rev. Code Section 9.38 states public money must be deposited with the treasurer of the public office or a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the amount exceeds \$1,000 the public official must then deposit the money on the next business day.

The Township has not adopted a policy regarding the deposit of monies received and it was noted that the cemetery receipts were not being deposited until several days to weeks after they were collected. The Township should implement procedures to improve compliance with the depositing requirements.

Response: The Trustees will review the current policies and make any needed changes.

**WASHINGTON TOWNSHIP
SHELBY COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-003

Noncompliance Citation

Ohio Rev. Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. In addition, the principal of permanent trust fund and any addition to the principal arising from sources other than the reinvestment of investment earnings to the fund that has been established for receiving donations and/or contributions pursuant to Ohio Rev. Code § 5705.131 must also be excluded from the amount of unencumbered balances that are certified.

The Township certified the balance of the two permanent trust funds as being available for expenditure, contrary to this requirement. Certification of the balances of the permanent trust funds presents the risk that the principal of the trust fund could be improperly expended.

Ohio Rev. Code Section 5705.36 also, allows subdivisions to request increased/decreased amended certificates upon determination by the fiscal officer that the revenue to be collected will be greater/less than the amount in the official certificate of estimated resources.

In 2005 estimated resources exceeded actual receipts in the General Fund by \$12,339 which could leave to overspending in that fund.

The fiscal officer should monitor the financial activities of the Township and request amended certificates when actual receipts will be less than the amounts estimated. This analysis should also encompass a comparison of appropriations versus available resources after amendment.

Response: The Township will review and implement the above guidelines regarding permanent trust funds when certifying the amount of resources available for expenditure and monitor budgetary information more closely.

FINDING NUMBER 2006-004

Ohio Rev. Code Section 117.38, Classification of Funds - the Township was required to reclassify its nonexpendable trust fund into either a permanent fund or a private purpose fund. Based on the criteria issued by Auditor of State, the funds should have been classified into a permanent fund. The Township classified its nonexpendable trust funds into special revenue funds. Since the principal of these funds are perpetual the classification should have been permanent. These financial statements have been adjusted to reflect the proper classification of the funds.

Response: The funds are corrected to be classified as permanent.

**WASHINGTON TOWNSHIP
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2006 AND 2005**

FINDING NUMBER	FINDING SUMMARY	FULLY CORRECTED?	NOT CORRECTED, PARTIALLY CORRECTED; SIGNIFICANTLY DIFFERENT CORRECTIVE ACTION TAKEN; OR FINDING NO LONGER VALID; <i>EXPLAIN:</i>
2002-003	ORC 5705.41(D) failure to certify the availability of funds prior to incurring the obligaiton	NO	Repeated as Finding 2006-001



Mary Taylor, CPA
Auditor of State

WASHINGTON TOWNSHIP

SHELBY 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
MARCH 11, 2008**