



Mary Taylor, CPA
Auditor of State

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

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Mary Taylor, CPA
Auditor of State

Waterford Township
Washington County
P.O. Box 146
Waterford, Ohio 45786

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.

Mary Taylor

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Auditor of State

August 6, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Waterford Township
Washington County
P.O. Box 146
Waterford, Ohio 45786

To the Board of Trustees:

We have audited the accompanying financial statements of Waterford Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 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, 2008 and 2007, 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 Waterford Township, Washington County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

During 2007, the Township changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits.

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 6, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

August 6, 2009

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts:				
Property and Other Local Taxes	\$189,158	\$445,972		\$635,130
Intergovernmental	86,096	323,493		409,589
Special Assessments		6,273		6,273
Licenses, Permits, and Fees		14,097		14,097
Earnings on Investments	1,732	560	\$42	2,334
Miscellaneous	1,030	39,362		40,392
Total Cash Receipts	278,016	829,757	42	1,107,815
Cash Disbursements:				
Current:				
General Government	100,610			100,610
Public Safety	200	169,838		170,038
Public Works	43,656	499,214		542,870
Health	37,681	27,566		65,247
Capital Outlay		241,426		241,426
Total Cash Disbursements	182,147	938,044	0	1,120,191
Total Cash Receipts Over/(Under) Cash Disbursements	95,869	(108,287)	42	(12,376)
Other Financing Receipts/(Disbursements):				
Transfers-In		30,000		30,000
Transfers-Out	(15,000)	(15,000)		(30,000)
Total Other Financing Receipts/(Disbursements)	(15,000)	15,000	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	80,869	(93,287)	42	(12,376)
Fund Cash Balances, January 1	(30,495)	409,162	5,777	384,444
Fund Cash Balances, December 31	\$50,374	\$315,875	\$5,819	\$372,068

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

**WATERFORD TOWNSHIP
WASHINGTON 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**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts:				
Property and Other Local Taxes	\$100,743	\$557,223		\$657,966
Intergovernmental	49,688	308,018		357,706
Special Assessments		5,934		5,934
Licenses, Permits, and Fees		12,895		12,895
Earnings on Investments	1,972	638	\$49	2,659
Miscellaneous	2,059	27,216		29,275
Total Cash Receipts	154,462	911,924	49	1,066,435
Cash Disbursements:				
Current:				
General Government	103,941			103,941
Public Safety	24,038	160,577		184,615
Public Works	18,673	636,730		655,403
Health	35,152	22,830		57,982
Capital Outlay		161,122		161,122
Total Cash Disbursements	181,804	981,259	0	1,163,063
Total Cash Receipts Over/(Under) Cash Disbursements	(27,342)	(69,335)	49	(96,628)
Other Financing Receipts/(Disbursements):				
Transfers-In		15,000		15,000
Transfers-Out	(15,000)			(15,000)
Total Other Financing Receipts/(Disbursements)	(15,000)	15,000	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(42,342)	(54,335)	49	(96,628)
Fund Cash Balances, January 1 (Restated - Note 2)	11,847	463,497	5,728	481,072
Fund Cash Balances, December 31	(\$30,495)	\$409,162	\$5,777	\$384,444

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

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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 Waterford Township, Washington 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, and fire and emergency medical services. The Township contracts with the Village of Beverly for fire protection services.

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

B. Accounting Basis

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

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

C. Fund Accounting

The Township uses fund accounting to segregate cash that is 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 Fund

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 Fund:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

3. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township has six cemetery bequest funds classified as Permanent Funds. These funds received interest earned on the principal invested in the Township's interest-bearing checking account.

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 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.

A summary of 2008 and 2007 budgetary activity appears in Note 4.

E. Property, Plant, and Equipment

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

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Restatement of Fund Balances

The Township recorded a fund balance adjustment due to a finding for adjustment in the 2006-2005 audit report that was not recorded to the Township's books until the current audit period.

<u>Governmental Funds:</u>	<u>Fund Balances at December 31, 2006</u>	<u>Restatement Amount</u>	<u>Fund Balances at January 1, 2007</u>
General	\$34,558	(\$22,711)	\$11,847
Special Revenue	440,786	22,711	463,497

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Equity in Pooled Deposits

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

	2008	2007
Demand deposits	\$ 372,068	\$ 384,444

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool. For two months in 2008 and six months in 2007, the Township had deposits ranging from \$7,560 to \$334,956 that were not insured or collateralized, contrary to Ohio law.

4. Budgetary Activity

Budgetary activity for the years ending 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$293,721	\$278,016	(\$15,705)
Special Revenue	769,425	859,757	90,332
Permanent	49	42	(7)
Total	\$1,063,195	\$1,137,815	\$74,620

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$218,742	\$197,147	\$21,595
Special Revenue	1,119,959	953,044	166,915
Permanent	5,826	0	5,826
Total	\$1,344,527	\$1,150,191	\$194,336

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$155,018	\$154,462	(\$556)
Special Revenue	898,294	926,924	28,630
Permanent	40	49	9
Total	\$1,053,352	\$1,081,435	\$28,083

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$193,669	\$196,804	(\$3,135)
Special Revenue	1,172,819	981,259	191,560
Permanent	5,665	0	5,665
Total	\$1,372,153	\$1,178,063	\$194,090

5. 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.

6. Retirement Systems

The Township's 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. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

7. 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.

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Management (Continued)

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.

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 (the latest information available):

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. 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 \$9,500. 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>	
2006	\$13,587
2007	\$11,142
2008	\$10,067

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.



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*

Waterford Township
Washington County
P.O. Box 146
Waterford, Ohio 45786

To the Board of Trustees:

We have audited the financial statements of Waterford Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 6, 2009, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified 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.

We consider findings 2008-004 and 2008-005 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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. Of the significant deficiencies described above, we believe findings number 2008-004 and 2008-005 are material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated August 6, 2009.

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 are described in the accompanying Schedule of Findings as items 2008-001 through 2008-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 6, 2009.

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

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



Mary Taylor, CPA
Auditor of State

August 6, 2009

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-001

Finding for Recovery

The Waterford Township Board of Trustees Resolution for Vacation and Sick Leave Policy states, in pertinent part, that upon retirement of an employee, the employee will receive any unused vacation pay at the time of final distribution of wages. The section of the policy regarding sick leave states, in pertinent part, that upon retirement, employees will be paid for 240 hours of the hours that they have accumulated, or if less than 240 hours, they will receive the amount they have left.

According to the Resolution for Returning to Work After Retirement that was adopted on August 8, 2006, the vacation policy currently in effect will apply after retirement, but any vacation accumulated after rehired will be based on a 30 hour week. Sick leave accumulated will be honored, but there will be no sick leave for part-time employees.

Jeffrey Babcock, former employee of the Township, retired from service with the Township on September 29, 2006 and returned to work with the Township after retiring. At the time of his retirement the Township failed to pay him 240 hours of sick leave and his accrued but unused vacation leave in accordance with the Township's policy. Instead, the Township paid him 240 hours of sick leave when he returned to work after retiring, resulting in him being paid at the rate of \$18.98 (rate of pay for 2008) instead of at \$15.10 (rate of pay upon retirement). Additionally, upon retirement, he had a negative vacation balance of 25 hours. During 2007 and 2008, Mr. Babcock took vacation leave and as of pay period ending July 12, 2008, at the time he left part-time employment, his recalculated vacation balance, in accordance with the Township's policy, was negative 31.24 hours. The Township policy does not permit employees to accrue "negative vacation balances." Therefore, the negative vacation leave balance represents vacation leave Mr. Babcock was paid for that he was not entitled to.

The following table represents the overpayment to Jeffrey Babcock:

Calculation of Sick Leave Pay-Out at Rate upon Retirement	\$ 3,624
Less Negative 25 Hours of Vacation Leave Upon Retirement	<u>(378)</u>
Calculation of Total Severance Pay at Time of Retirement	3,246
Overpayment of Vacation Leave (Negative 31.24 Hours) in 2008	(593)
Actual Severance Pay by Township in 2008	<u>(4,555)</u>
Actual Payments by Township to Jeffrey Babcock	(5,148)
Total Amount of Overpayment by the Township to Jeffrey Babcock	<u><u>\$ (1,902)</u></u>

The checks issued for the \$1,902 in overpayments of severance and leave hours to Jeffrey Babcock were signed by Carolyn Offenberger, Fiscal Officer, Matthew Cavanaugh, Township Trustee, James Harper, Township Trustee, and Greg McCutcheon, Township Trustee.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jeffrey Babcock, former employee of Waterford Township, in the amount of \$1,902, and in favor of the Road and Bridge Fund of Waterford Township.

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2008-001
(Continued)**

Finding for Recovery (Continued)

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

Therefore, Carolyn Offenberger, Fiscal Officer, and her bonding company, Travelers Casualty and Surety Company of America; Matthew Cavanaugh, Township Trustee; James Harper, Township Trustee; Greg McCutcheon, Township Trustee; and Ohio Township Association Risk Management Authority, the Trustees’ bonding company, are jointly and severally liable in the amount of \$1,902; to the extent that recovery is not obtained from Jeffrey Babcock.

Officials’ Response: Jeff Babcock, Ron McCutcheon, and the Fiscal Officer sat down and figured out how many hours were left in sick and vacation leave. At the time, we were sure we had the right figures. We used the figures given to us after our 2005-06 audit. As for the payment that should have been paid at the time of retirement, the Trustees and Fiscal Officer thought there would be nothing wrong since they were both coming back part-time, but now I know that at the time of any retirement, we must pay out the sick leave. But the Fiscal Officer doesn’t feel Jeff and Ron should pay back money that was the Fiscal Officer’s mistake. The Fiscal Officer will contact her bonding company.

FINDING NUMBER 2008-002

Finding for Recovery

The Waterford Township Board of Trustees Resolution for Vacation and Sick Leave Policy states, in pertinent part, that upon retirement of an employee, the employee will receive any unused vacation pay at the time of final distribution of wages. The section of the policy regarding sick leave states, in pertinent part, that upon retirement, employees will be paid for 240 hours of the hours that they have accumulated, or if less than 240 hours, they will receive the amount they have left.

According to the Resolution for Returning to Work After Retirement that was adopted on August 8, 2006, the vacation policy currently in effect will apply after retirement, but any vacation accumulated after rehired will be based on a 30 hour week. Sick leave accumulated will be honored, but there will be no sick leave for part-time employees.

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2008-002
(Continued)**

Finding for Recovery (Continued)

Ronald McCutcheon, former employee of the Township, retired from service with the Township on June 30, 2006 and returned to work part-time with the Township after retiring. At the time of his retirement, the Township failed to pay him 240 hours of sick leave in accordance with the Township's policy. Instead, the Township paid him 240 hours of sick leave in 2007. During 2007 and 2008, Mr. McCutcheon took vacation leave and as of pay period ending October 4, 2008, at the time he left part-time employment, his recalculated vacation balance, in accordance with the Township's policy, was 4.97 hours. Also during 2007, he took 64.65 hours of sick leave that he was no longer able to accrue after his retirement according to the Township policy.

The following table represents the overpayment to Ronald McCutcheon:

Calculation of Sick Leave Pay-Out upon Retirement	\$ 4,418
Overpayment of 64.65 Hours of Sick Leave in 2007	(1,190)
Vacation Pay-Out at October 4, 2008 (4.97 hours)	91
Actual Severance Pay by Township in 2007	(4,418)
Total Actual Payments by Township to Ronald	(5,517)
Total Amount of Overpayment by the Township to Ronald McCutcheon	<u>\$(1,099)</u>

The checks issued for the \$1,099 in overpayments of leave hours to Ronald McCutcheon were signed by Carolyn Offenberger, Fiscal Officer, Matthew Cavanaugh, Township Trustee, James Harper, Township Trustee, and Bessie Sparling, Township Trustee.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Ronald McCutcheon, former employee of Waterford Township, in the amount of \$1,099, and in favor of the Road and Bridge Fund of Waterford Township.

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

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2008-002
(Continued)**

Finding for Recovery (Continued)

Therefore, Carolyn Offenberger, Fiscal Officer, and her bonding company, Ohio Township Association Risk Management Authority; Matthew Cavanaugh, Township Trustee; James Harper, Township Trustee; Bessie Sparling, Township Trustee; and Ohio Township Association Risk Management Authority, the Trustees' bonding company, are jointly and severally liable in the amount of \$1,099; to the extent that recovery is not obtained from Ronald McCutcheon.

Officials' Response: Jeff Babcock, Ron McCutcheon, and the Fiscal Officer sat down and figured out how many hours were left in sick and vacation leave. At the time, we were sure we had the right figures. We used the figures given to us after our 2005-06 audit. As for the payment that should have been paid at the time of retirement, the Trustees and Fiscal Officer thought there would be nothing wrong since they were both coming back part-time, but now I know that at the time of any retirement, we must pay out the sick leave. But the Fiscal Officer doesn't feel Jeff and Ron should pay back money that was the Fiscal Officer's mistake. The Fiscal Officer will contact her bonding company.

FINDING NUMBER 2008-003

Noncompliance Citation

Ohio Rev. Code Section 135.18 (A) states that the treasurer, before making the initial deposit in a public depository pursuant to an award made under Sections 135.01 to 135.21 of the Revised Code, shall require the institution designated as a public depository to pledge to and deposit with the treasurer, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above such portion or amount of such moneys as is at such time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government. In the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited shall be equal to the difference between the amount of public moneys on deposit in such public depository plus the amount to be so deposited, minus the portion or amount of the aggregate as is at the time insured as provided in this section. The treasurer may require additional eligible securities to be deposited to provide for any depreciation which may occur in the market value of any of the securities so deposited.

During the 2008, the cash balances on deposit with the bank exceeded the \$100,000 federal deposit insurance limit and pledged securities in the following months:

Month	Amount Not Covered by FDIC and Pledged Securities
April	\$ 10,784
September	57,694

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-003 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 135.18 (A) (Continued)

During the 2007, the cash balances on deposit with the bank exceeded the \$100,000 federal deposit insurance limit and pledged securities in the following months:

Month	Amount Not Covered by FDIC and Pledged Securities
January	\$ 82,475
February	78,300
March	82,468
April	334,956
May	263,167
September	7,560

As a result, the monies of the Township were not adequately protected against loss in the event of a bank failure.

We recommend the Fiscal Officer and Trustees obtain additional specific pledged collateral for protection of the Township's monies, or alternatively, participate in the bank's public entity collateral pool, if used.

Officials' Response: The Fiscal Officer called the bank because what papers that were given to the auditors were all that was received from the bank. The Fiscal Officer was told that during the bank's audit that the bank was responsible for making sure the Township is covered.

FINDING NUMBER 2008-004

Noncompliance Citation and 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 (OAG) Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the Township General Fund or from such other 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 Waterford Township for the years ending December 31, 2006 and 2005, which was released on August 7, 2007.

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-004 (Continued)

Noncompliance Citation and Material Weakness - Ohio Rev. Code Section 505.24C) (Continued)

Beginning in August of 2007, two of the Trustees did establish administrative procedures to document how they spent their time; however, payments were not always made in accordance with that documentation for the Township Trustees salaries and corresponding benefits. The other Trustee did not keep any record of how time was spent; therefore, the entire amount of salaries and benefits from August 7, 2007 through December 31, 2007 should have been paid from the General Fund.

For the period August 7, 2007 through December 31, 2007, \$9,230 of the Trustees' salaries and benefits should have been paid out of the General Fund instead of the Road and Bridge Fund according to the Trustees' documentation presented for audit. The Township Fiscal Officer has posted this adjustment to the Township records, and therefore, this adjustment is reflected in the accompanying financial statements.

We recommend the Township Trustees' salaries and benefits be paid in accordance with the documentation for how they spent their time.

Officials' Response: If Bessie Sparling had turned in her record for 2007 that would have covered our mistake. The Fiscal Officer takes responsibility for not insisting on delivery of these records.

FINDING NUMBER 2008-005

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Township misclassified and misposted tax receipts, intergovernmental receipts, miscellaneous receipts, as well as general government, public works, public health, public safety and capital outlay disbursements, including misallocation of salaries and benefits, to the Township receipt and disbursement ledgers and to the annual financial report submitted to the Auditor of State for fiscal years 2007 and 2008. These misstatements had the following net effect on the Township's financial statements as of December 31, 2008:

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-005 (Continued)

Material Weakness (Continued)

Fund	UAN Fund Balance 12/31/08	Audited Fund Balance 12/31/08	Adjustment
General	\$80,652	\$50,374	(\$30,278)
MVL	29,847	30,437	590
Gasoline Tax	30,574	43,074	12,500
Road and Bridge	120,754	137,558	16,804
Ambulance	70,173	70,330	157
Special Fire	3,280	3,347	67
Special Fire and Ambulance	3,127	3,217	90
Special Fire and Ambulance Levy	20,167	20,237	70

These misstatements were caused by management oversight. As a result, significant adjustments and reclassifications, with which the Township's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

In addition, permissive sales tax revenue and expenditures in the amounts of \$55,435 for 2008 and \$56,281 for 2007 were not posted to the Township's records nor were budgetary adjustments approved for estimated resources and appropriations. As a result, receipts and disbursements were understated on the Township's records. Adjustments with which the Township's management agrees are reflected in the accompanying financial statements.

We recommend the Fiscal Officer refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts and expenditures. In addition, we recommend the Township obtain an amended certificate of estimated resources from the County Budget Commission, and the Board of Trustees approve supplemental appropriations for the permissive sales tax monies.

Officials' Response: The Fiscal Officer has not put the permissive sales tax monies through the budget before. The Fiscal Officer will do so in the future.

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-001	Ohio Rev. Code Section 5705.10(H) – The Township paid \$23,200 out of the Road and Bridge Fund to the Village of Beverly in accordance with a contract with the Village for an amount in addition to fire protection services. The Road and Bridge Fund is restrictive in regards to allowable expenditures. A finding for adjustment was issued in favor of the Road and Bridge Fund in the amount of \$23,200.	Yes	The Township made the fund balance adjustment during the current audit period.
2006-002	Ohio Rev. Code Section 135.18(A) – The Township did not have adequate pledged securities for deposits above the \$100,000 FDIC.	No	Not Corrected, reissued as finding number 2008-003.
2006-003	Ohio Rev. Code Section 5705.09(F) – The Township did not record Issue II Ohio Public Works Commission monies nor did the Township establish a fund for this project or budget for this project.	Yes	
2006-004	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeded appropriations at December 31, 2006, in four funds, and at December 31, 2005, in ten funds.	No	Not Corrected, reissued in the Management Letter.
2006-005	Ohio Admin. Code Section 117-2-02(C)(1) – The Township did not post estimated revenue as approved by the Budget Commission and appropriations as approved by the Board of Trustees to the Township’s accounting system at the correct amounts.	No	Not Corrected, reissued in the Management Letter.
2006-006	The Township did not post receipts and expenditures to the correct line items and/or correct funds.	No	Not Corrected, reissued as finding number 2008-006.



Mary Taylor, CPA
Auditor of State

WATERFORD TOWNSHIP

WASHINGTON 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
SEPTEMBER 15, 2009**