

**WASHINGTON TOWNSHIP,
GUERNSEY COUNTY**

**Audited Financial Statements
For the years ended December 31, 2004 and 2003**



**Auditor of State
Betty Montgomery**

Board of Trustees
Washington Township
20160 Titus Road
Freeport, Ohio 43973

We have reviewed the *Independent Accountants' Report* of Washington Township, Guernsey County, prepared by Tucker & Tucker, for the audit period January 1, 2003 through December 31, 2004. 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 "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 12, 2006

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**WASHINGTON TOWNSHIP
GUERNSEY COUNTY**

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Independent Accountants' Report

Washington Township
Guernsey County, Ohio
20160 Titus Road
Freeport, Ohio 43973

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Guernsey County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State. 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.

Revisions to GAAP would require the Government to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 and 2003, the revisions require presenting entity wide statements and also to present its larger (i. e. major)

funds separately for 2004. While the Government does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Government has elected not to reformat its statements. Since this Government does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United State of America, the financial position of Washington Township, Guernsey County, Ohio as of December 31, 2004, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Washington Township, Guernsey County, Ohio, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Government to include Management's Discussion and Analysis for the year ended December 31, 2004. The Government 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 February 21, 2006, on our consideration of the Government'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.

Tucker & Tucker

Cambridge, Ohio
February 21, 2006

WASHINGTON TOWNSHIP, GUERNSEY COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
All Governmental and Fiduciary Fund Types
For the Year Ended December 31, 2004

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Nonexpendable Trust</u>	
Cash Receipts:					
Local Taxes	\$ 14,901	\$ 4,199	\$0	\$0	\$ 19,100
Intergovernmental	5,584	80,146	4,131	0	89,861
Earnings on Investments	134	106	0	112	352
Other Revenue	192	0	0	0	192
	<u>20,811</u>	<u>84,451</u>	<u>4,131</u>	<u>112</u>	<u>109,505</u>
Total Cash Receipts	<u>\$ 20,811</u>	<u>\$ 84,451</u>	<u>\$ 4,131</u>	<u>\$ 112</u>	<u>\$ 109,505</u>
Cash Disbursements:					
Current:					
General Government	\$ 19,786	\$0	\$0	\$0	\$ 19,786
Public Safety	0	2,150	0	0	2,150
Public Works	729	58,167	6,600	0	65,496
Health	38	0	0	0	38
Capital Outlay	1,969	0	0	0	1,969
	<u>22,522</u>	<u>60,317</u>	<u>6,600</u>	<u>\$0</u>	<u>\$ 89,439</u>
Total Cash Disbursements	<u>\$ 22,522</u>	<u>\$ 60,317</u>	<u>\$ 6,600</u>	<u>\$0</u>	<u>\$ 89,439</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>\$ (1,711)</u>	<u>\$ 24,134</u>	<u>\$ (2,469)</u>	<u>\$ 112</u>	<u>\$ 20,066</u>
Fund Cash Balances, January 1, 2004	<u>26,461</u>	<u>38,320</u>	<u>3,095</u>	<u>6,064</u>	<u>73,940</u>
Fund Cash Balances, December 31, 2004	<u>\$ 24,750</u>	<u>\$ 62,454</u>	<u>\$ 626</u>	<u>\$ 6,176</u>	<u>\$ 94,006</u>
Reserve for Encumbrances, December 31, 2004	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

WASHINGTON TOWNSHIP, GUERNSEY COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
All Governmental and Fiduciary Fund Types
For the Year Ended December 31, 2003

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Nonexpendable Trust</u>	
Cash Receipts:					
Local Taxes	\$ 15,235	\$ 4,632	\$ 0	\$ 0	\$ 19,867
Intergovernmental	5,319	72,655	3,849	0	81,823
Earnings on Investments	188	151	0	44	383
Other Revenue	989	0	0	0	989
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	\$ 21,731	\$ 77,438	\$ 3,849	\$ 44	\$ 103,062
Cash Disbursements:					
Current:					
General Government	\$ 22,135	\$ 1	\$ 0	\$ 0	\$ 22,136
Public Safety	0	1,650	0	0	1,650
Public Works	1,273	76,974	1,400	0	79,647
Health	197	0	0	0	197
Capital Outlay	250	0	0	0	250
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	\$ 23,855	\$ 78,625	\$ 1,400	\$ 0	\$ 103,880
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ (2,124)	\$ (1,187)	\$ 2,449	\$ 44	\$ (818)
Other Financing Receipts/Disbursements:					
Advances - In	\$ 800	\$ 0	\$ 800	\$ 0	\$ 1,600
Advances - Out	(800)	0	(800)	0	(1,600)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/Disbursements	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ (2,124)	\$ (1,187)	\$ 2,449	\$ 44	\$ (818)
Fund Cash Balances, January 1, 2003	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	28,585	39,507	646	6,020	74,758
Fund Cash Balances, December 31, 2003	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 26,461	\$ 38,320	\$ 3,095	\$ 6,064	\$ 73,940
Reserve for Encumbrances, December 31, 2003	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 132	\$ 0	\$ 0	\$ 0	\$ 132

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

WASHINGTON TOWNSHIP, GUERNSEY COUNTY
Notes to the Financial Statements
December 31, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

Washington Township, Guernsey County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township also has an elected Township Clerk. The Township provides general government services, road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services. The Township contracts with the Freeport Community Volunteer Fire Department and the Antrim Community Volunteer Fire Department to provide fire and ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool for coverage of property and casualty insurance. Note 5 to the financial statements provides additional information for this entity.

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

Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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.

Cash

Certificates of deposit are valued at cost.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Accounting

The Township uses fund accounting to maintain its financial records. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use, to aid financial management, and to demonstrate legal compliance. The Township classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of the State of Ohio.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific 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.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Fund:

Public Works Commission Fund – This fund received money from Guernsey County to be used for road repairs.

Fiduciary Funds (Trust and Agency Funds)

These funds are used to 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 Fiduciary Fund:

Cemetery Bequest Fund – This fund receives interest earnings for the maintenance and upkeep of the Township cemeteries.

Budgetary Process

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

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.

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. The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

Property, Plant and Equipment

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

Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Interfund Receivables/Payables

The Township reports advances-in and advances-out for Interfund loans. These items are not reflected as assets or liabilities in the accompanying financial statements.

Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Estimates

The regulatory basis of accounting used by the Township requires management to make estimates and assumptions that affect certain reported amounts and disclosures and accordingly, actual results could differ from those estimates.

NOTE 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>2004</u>	<u>2003</u>
Demand deposits	\$ 88,280	\$ 68,310
Certificates of deposit	<u>5,726</u>	<u>5,630</u>
Total	<u>\$ 94,006</u>	<u>\$ 73,940</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool. Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions.

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follow:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 20,216	\$ 20,811	\$ 595
Special Revenue	82,257	84,451	2,194
Capital Projects	4,131	4,131	0
Nonexpendable Trust	136	112	(24)
 Total	\$ 106,740	\$ 109,505	\$ 2,765

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 44,544	\$ 22,522	\$ (22,022)
Special Revenue	120,578	60,317	(60,261)
Capital Projects	7,226	6,600	(626)
Nonexpendable Trust	570	0	(570)
 Total	\$ 172,918	\$ 89,439	\$ (83,479)

NOTE 3 - BUDGETARY ACTIVITY - continued

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 19,541	\$ 21,731	\$ 2,190
Special Revenue	65,860	77,438	11,578
Capital Projects	3,849	3,849	0
Nonexpendable Trust	180	44	(136)
Total	<u>\$ 89,430</u>	<u>\$ 103,062</u>	<u>\$ 13,632</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 48,368	\$ 23,987	\$ (24,381)
Special Revenue	103,810	78,625	(25,185)
Capital Projects	4,495	1,400	(3,095)
Nonexpendable Trust	570	0	(570)
Total	<u>\$ 157,243</u>	<u>\$ 104,012</u>	<u>\$ (53,231)</u>

Contrary to Ohio law, actual receipts were less than estimated receipts during 2003 and 2004 in the Nonexpendable Trust Fund.

NOTE 4 – PROPERTY TAX

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in a year represent the collection of the prior year's taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in a year represent the collection of the prior year's taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in a year (other than public utility property) represent the collection of that year's taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25% of true value for capital assets and 23% for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is April 30, with the remainder payable by September 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

NOTE 5 - RISK MANAGEMENT

Risk Pool Membership

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. There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years.

NOTE 5 - RISK MANAGEMENT - continued

Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000.

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.

NOTE 5 - RISK MANAGEMENT - continued

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:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 30,687,203	\$ 27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained Earnings	<u>\$ 17,046,241</u>	<u>\$ 16,000,923</u>

Property Coverage

Assets	\$ 7,799,073	\$ 6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained Earnings	<u>\$ 7,045,167</u>	<u>\$ 6,040,104</u>

NOTE 6 - RETIREMENT SYSTEM

The Township's elected officials and employees belong to the Public Employees Retirement System (OPERS). 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.

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. Of this total 9.55% is for pension benefits and 4.00% is for healthcare benefits.

NOTE 6 - RETIREMENT SYSTEM - continued

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

The Township's share of the required contributions for pension obligations to OPERS for the years ended December 31, 2004, 2003, and 2002 were \$4,911, \$5,205, and \$5,087 respectively. The full amount has been contributed for 2004, 2003, and 2002.

NOTE 7 – POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the plan is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55% of covered payroll; 4.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase between 1% and 6% annually for the next eight years and 4% annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2005. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Washington Township
Guernsey County, Ohio
20160 Titus Road
Freeport, Ohio 43973

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Guernsey County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated February 21, 2006. In our report on the financial statements, we expressed a dual adverse/unqualified opinion on the financial statements. The adverse opinion resulted from financial statements not being prepared in accordance with accounting principles generally accepted in the United States of America. An unqualified opinion was expressed on the financial statements as prepared based on accounting practices the Auditor of State prescribes or permits. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in

relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-01 and 2004-02.

This report is intended solely for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Tucker & Tucker

Cambridge, Ohio
February 21, 2006

WASHINGTON TOWNSHIP, GUERNSEY COUNTY
Schedule of Findings
December 31, 2004 and 2003

COMPLIANCE FINDINGS

Finding Number 2004-01 – Purchase Order Procedures

Statement of Condition: Ohio Revised Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement 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. One exception is "then and now" certificates, provided for in section 5705.41 (D) (1) of the Ohio Revised Code.

"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 (\$1,000 prior to April 7, 2003) 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.

During our audit fieldwork, we noted several instances where purchase orders were issued and/or approved after the expenses were incurred. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

WASHINGTON TOWNSHIP, GUERNSEY COUNTY
Schedule of Findings (continued)
December 31, 2004 and 2003

Recommendation: We recommend that Township personnel obtain proper purchase orders prior to incurring any obligations on behalf of the Township. 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: We agree with the Auditor's recommendation. The Clerk will review purchase order procedures with all employees of the Township.

Finding Number 2004-02 – Estimated Receipts

Statement of Condition: Ohio Revised Code Section 5705.36 (A) (2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon the determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36 (A) (3) provides that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Revised Code Section 5705.36 (A) (4) provides that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level or appropriation.

During 2003 and 2004, the Nonexpendable Trust Fund had actual receipts below estimated receipts and a reduced amended certificate was not obtained. Additionally, appropriations were set at the level of estimated receipts plus carryover. The Township should have obtained a reduced amended certificate and made the corresponding reduction in appropriations.

Recommendation: We recommend that the Township review its actual receipts and appropriations on a regular basis and amend amounts as necessary.

Response: We agree with the Auditor's recommendation and will monitor actual receipts and appropriations on a regular basis.

WASHINGTON TOWNSHIP, GUERNSEY COUNTY
Schedule of Prior Audit Findings
December 31, 2004 and 2003

Finding Number 2002-001

Finding Summary – Trustee salaries were not paid from funds in the same proportion as the salary resolution.

Finding Status – Corrected. Trustee salaries paid in the same proportion as the salary resolution.

Finding Number 2002-002

Finding Summary – Ohio Revised Code Section 5705.41 (D). Certificate (Purchase Order) not issued prior to expenditure.

Finding Status – Reissued as current period Finding Number 2004-01.



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WASHINGTON TOWNSHIP

GUERNSEY 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
JUNE 22, 2006**