



**Auditor of State
Betty Montgomery**

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Washington Township
Montgomery County
8200 McEwen Road
Dayton, Ohio 45458

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington Township (the Township), Montgomery County, as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund, Road & Bridge Fund, Police Fund, and Fire Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2006, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 2, 2006

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)

This discussion and analysis of Washington Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of Township activities decreased \$2,676,604 from the prior year. The funds most affected by the decrease in cash and cash equivalents were the Fire Fund, whose decrease during 2005 was due to construction of two new fire stations, and the General Fund, for the purchase of land and payoff of debt for a previous land purchase.

The Township's general receipts are primarily property taxes. For 2005, the Township received \$13,757,646 in property taxes. These receipts represent 67 percent of the total cash received for Township activities during the year. Property tax receipts for 2005 increased compared to 2004.

The recreation center, the Township's lone business-type activity, showed an \$87,489 profit, or a 13 percent increase in net assets.

During 2005, at the request of the estate of Ethel Winterhalter, the Township paid \$852,871 to the estate to retire the debt for 55 acres of land purchased during 2002. By paying the debt off early, the Township saved over \$137,000 in interest. During 2005, the Township also purchased an additional 20 acres of land from the estate of Ethel Winterhalter for \$586,591.

During November of 2005, voters approved a five-year, two-mill replacement property tax levy for the police department to provide for the maintenance of vehicles, communications, and other equipment used directly by the police department and for the payment of salaries and associated benefits. There were a total of 8,326 votes cast, with 5,487 or 66% voting for the levy.

During 2005, the Township was approved for a FEMA grant of \$221,698 for the Fire Department to use for updating its communication equipment.

Ohio tax law changes from the 2003 and 2005 State bi-annual budgets will reduce tangible personal property tax revenue to a trickle in coming years. During 2005, the Township received approximately \$28,000 less in tangible personal property tax and that loss will grow each year to the year 201, when it is estimated that the Township will lose \$872,000 a year.

The Township's tax base during 2005 grew to \$1,531,411,235, which is an increase of 1.4 percent over 2004.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose or fund. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the Township-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the pooled cash and investment balances of the Township and business-type activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each Township program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each Township function or business-type activity draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well, such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)

In the statement of net assets and the statement of activities, we divide the Township into two types of activities:

Governmental activities - Most of the Township's basic services are reported here, including general government, police, fire, and public works. Property taxes and intergovernmental receipts finance most of these activities. Benefits provided through Township activities are not necessarily paid for by the people receiving them.

Business-type activity - The Township has one business-type activity, the recreation department. Business-type activities are financed by a fee charged to the customers receiving the service and by property taxes.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds, not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Township's activities are reported in governmental funds. The Township fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Township fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major funds are the General Fund, Police Fund, Fire Fund and Road & Bridge Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Township charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Township has one enterprise fund, the recreation department. When the services are provided to other departments of the Township, the service is reported as an internal service fund. The Township has one internal service fund, vehicle maintenance, to account for repairs to Township vehicles.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the Township-wide financial statements because the resources of these funds are not available to support the Township's programs. The Township has two fiduciary funds, a cemetery bequest fund for the decoration of four graves in the Centerville Cemetery that is maintained by the Township and an agency fund for a flexible benefit account.

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Assets						
Cash and Cash Equivalents	\$14,145,263	\$16,909,356	\$762,881	\$675,392	\$14,908,144	\$17,584,748
Total Assets	<u>14,145,263</u>	<u>16,909,356</u>	<u>762,881</u>	<u>675,392</u>	<u>14,908,144</u>	<u>17,584,748</u>
Net Assets						
Restricted for:						
Other Purposes	11,368,486	12,561,543			11,368,486	12,561,543
Unrestricted	<u>2,776,777</u>	<u>4,347,813</u>	<u>762,881</u>	<u>675,392</u>	<u>3,539,658</u>	<u>5,023,205</u>
Total Net Assets	<u>\$14,145,263</u>	<u>\$16,909,356</u>	<u>\$762,881</u>	<u>\$675,392</u>	<u>\$14,908,144</u>	<u>\$17,584,748</u>

As mentioned previously, net assets of Township's activities decreased \$2,676,604 or 15 percent during 2005. The primary reasons contributing to the overall decrease in cash balances are as follows:

- Payment for two fire stations under construction during 2005 was over \$3 million, additionally, a \$660,562 payment was made during 2005 on the loan for the two fire stations.
- The net assets of the Road and Bridge fund increased by \$853,938 primarily due to the build up of funds for the completion of large projects that are slated in a few years.
- During 2005, Washington Township paid off a loan on 55 acres of land for \$852,871. The Township also purchased an additional 20 acres of land for \$586,591.

Table 2 reflects the changes in net assets during 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of Township-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Business Type Activities 2005	Total 2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$199,351	\$1,318,103	\$1,517,454
Operating Grants and Contributions	1,946,436	118,431	2,064,867
Capital Grants and Contributions	0	0	0
Total Program Receipts	<u>2,145,787</u>	<u>1,436,534</u>	<u>3,582,321</u>
General Receipts:			
Property and Other Local Taxes	12,788,193	969,453	13,757,646
Grants and Entitlements Not Restricted to Specific Programs	1,499,304		1,499,304
Interest	362,587		362,587
Sale of Lots	45,400		45,400
Miscellaneous	1,085,638	71,201	1,156,839
Total General Receipts	<u>15,781,122</u>	<u>1,040,654</u>	<u>16,821,776</u>
Total Receipts	<u>17,926,909</u>	<u>2,477,188</u>	<u>20,404,097</u>
Disbursements:			
General Government	2,560,130		2,560,130
Police	2,654,289		2,654,289
Fire	5,425,875		5,425,875
Public Works	1,935,784		1,935,784
Health	123,120		123,120
Capital Outlay	6,313,370		6,313,370
Principal Retirement	1,454,752		1,454,752
Interest and Fiscal Charges	223,682		223,682
Recreation Center	0	2,389,699	2,389,699
Total Disbursements	<u>20,691,002</u>	<u>2,389,699</u>	<u>23,080,701</u>
Increase (Decrease) in Net Assets	(2,764,093)	87,489	(2,676,604)
Net Assets, January 1, 2005	<u>16,909,356</u>	<u>675,392</u>	<u>17,584,748</u>
Net Assets, December 31, 2005	<u>\$14,145,263</u>	<u>\$762,881</u>	<u>\$14,908,144</u>

Program receipts represent only 12 percent of total governmental activities receipts and are primarily comprised of restricted intergovernmental receipts, such as motor vehicle license and gas tax money; building permits and inspection fees; and rollback and homestead exemption dollars received from the State for the Road and Bridge, Police, Fire, and Recreation funds.

Program receipts for business-type activities equals 58 percent of the total business activity receipts and represents receipts collected at the recreation center for memberships, participation programs or classes, and walk-in fees.

General receipts represent 88 percent of the total governmental activities receipts and 42% of the business-type activities total receipts.

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)

Of these amounts, over 80 percent represent property taxes for the governmental activities and over 93 percent represent property taxes for the business-type activities. For the governmental activities, the majority of general receipts include inheritance tax, local government and local government revenue assistance funds in the general fund received from the State of Ohio.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Board of Trustees, fiscal officer, administration department, finance department, zoning department and internal service fund. Since these costs do not represent direct services to residents, we try to limit these costs.

Police and Fire are the costs for providing these services; Public Works is the cost of maintaining roads; Health are the costs for running and maintaining six cemeteries; and Capital Outlay includes the construction payments during 2005 for the two new fire stations and the purchase of twenty acres of land. Principal Retirement includes the early payoff of a loan for the purchase of land and the semi-annual payments on the notes issues for the building of the two new fire stations.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The three largest program disbursements for governmental activities are for fire and police service and for capital outlay, which account for 26, 13, and 31 percent of all governmental disbursements, respectively. General Government and Public Works also represented a significant cost, about 12 and 9 percent respectively. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
	2005	2005
General Government	\$2,560,130	\$2,493,724
Police	2,654,289	2,309,998
Fire	5,425,875	4,591,929
Public Works	1,935,784	1,065,065
Health	123,120	92,695
Capital Outlay	6,313,370	6,313,370
Principal Retirement	1,454,752	1,454,752
Interest and Fiscal Charges	223,682	223,682
Total Expenses	\$20,691,002	\$18,545,215

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)

The dependence upon property tax receipts is apparent as ninety percent of Township activities are supported through these general receipts.

Business-type Activities

The recreation center operation of the Township routinely reports receipts and cash disbursements that are relatively equal.

Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted funds are the General, Fire, Road and Bridge, and Police Funds.

During 2005, the Township amended its budget for the Road and Bridge, Police and Fire funds to be in line with the Amended Certificate of Resources. Final budgeted receipts were above original budgeted receipts due to a change for the receipt of FEMA funds. Actual receipts for the General, Road and Bridge, Police, and Fire funds were \$1,583,732 over final budgeted receipts or 8.6 percent.

Final disbursements for the four major funds were budgeted at \$31,760,731 while actual disbursements were \$22,170,714.

Debt Administration

At December 31, 2005, the Township's outstanding debt included \$4,000,000 in fire bonds for the construction of two new fire stations and a training tower. For further information regarding the Township's debt, refer to Note 10 to the basic financial statements.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. We rely heavily on property taxes, so it is imperative that we continue to enhance our property tax base while maintaining an attractive mix of residential, commercial and green space property. The Township is primarily a residential community with a tax base increasing due to new construction and increasing home values in our community.

The Township is working with the City of Centerville in a joint project called Create the Vision. The purpose is to coordinate zoning and land use issues between the two communities

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Michael A. Barlow, Finance Director, Washington Township, 8200 McEwen Road, Dayton, OH 45458.

Washington Township, Montgomery County
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$14,145,263</u>	<u>\$762,881</u>	<u>\$14,908,144</u>
<i>Total Assets</i>	<u><u>14,145,263</u></u>	<u><u>762,881</u></u>	<u><u>14,908,144</u></u>
Net Assets			
Restricted for:			
Other Purposes	11,368,486		11,368,486
Unrestricted	<u>2,776,777</u>	<u>762,881</u>	<u>3,539,658</u>
<i>Total Net Assets</i>	<u><u>\$14,145,263</u></u>	<u><u>\$762,881</u></u>	<u><u>\$14,908,144</u></u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$2,560,130	\$66,406		(\$2,493,724)		(\$2,493,724)
Police	2,654,289	48,909	295,382	(2,309,998)		(2,309,998)
Fire	5,425,875	50,920	783,026	(4,591,929)		(4,591,929)
Public Works	1,935,784	2,691	868,028	(1,065,065)		(1,065,065)
Health	123,120	30,425		(92,695)		(92,695)
Capital Outlay	6,313,370			(6,313,370)		(6,313,370)
Debt Service	1,678,434			(1,678,434)		(1,678,434)
<i>Total Governmental Activities</i>	20,691,002	199,351	1,946,436	(18,545,215)		(18,545,215)
Business Type Activity						
Recreation Center	2,389,699	1,318,103	118,431		(953,165)	(953,165)
Total	<u>\$23,080,701</u>	<u>\$1,517,454</u>	<u>\$2,064,867</u>	(18,545,215)	(953,165)	(19,498,380)
General Receipts						
Property Taxes Levied for:						
General Purposes				976,132		976,132
Road & Bridge				3,311,020		3,311,020
Police				2,469,443		2,469,443
Fire				6,031,598		6,031,598
Recreation					969,453	969,453
Grants/Entitlements not Restricted to Specific Programs				1,499,304		1,499,304
Sale of Lots				45,400		45,400
Interest				362,587		362,587
Miscellaneous				1,085,638	71,201	1,156,839
<i>Total General Receipts</i>				15,781,122	1,040,654	16,821,776
Change in Net Assets				(2,764,093)	87,489	(2,676,604)
<i>Net Assets Beginning of Year</i>				16,909,356	675,392	17,584,748
<i>Net Assets End of Year</i>				<u>\$14,145,263</u>	<u>\$762,881</u>	<u>\$14,908,144</u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	<u>General</u>	<u>Road & Bridge Fund</u>	<u>Police Fund</u>	<u>Fire Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$2,760,596	\$4,459,691	\$2,924,334	\$3,000,095	\$984,366	\$14,129,082
<i>Total Assets</i>	<u>2,760,596</u>	<u>4,459,691</u>	<u>2,924,334</u>	<u>3,000,095</u>	<u>984,366</u>	<u>14,129,082</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	511,295	371,387	367,141	502,115	122,060	1,873,998
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	2,249,301					2,249,301
Special Revenue Funds		4,088,304	2,557,193	2,497,980	862,306	10,005,783
<i>Total Fund Balances</i>	<u>\$2,760,596</u>	<u>\$4,459,691</u>	<u>\$2,924,334</u>	<u>\$3,000,095</u>	<u>\$984,366</u>	<u>\$14,129,082</u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2005*

Total Governmental Fund Balances	\$14,129,082
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Governmental activities' net assets include the internal service funds' cash and cash equivalents. The proprietary funds' statements include these assets.	<u>16,181</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$14,145,263</u></u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2005

	General	Road & Bridge Fund	Police Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$976,132	\$3,311,020	\$2,469,443	\$6,031,598		\$12,788,193
Charges for Services				50,920		50,920
Licenses, Permits and Fees	66,406		1,416		30,425	98,247
Fines and Forfeitures	47,493					47,493
Intergovernmental	1,499,304	405,949	295,382	734,922	389,884	3,325,441
Special Assessments					2,691	2,691
Interest	362,587			48,104	72,195	482,886
Other	253,001	63,858	11,202	370,315	68,452	766,828
<i>Total Receipts</i>	<u>3,204,923</u>	<u>3,780,827</u>	<u>2,777,443</u>	<u>7,235,859</u>	<u>563,647</u>	<u>17,562,699</u>
Disbursements						
Current:						
General Government	2,560,130					2,560,130
Police	18,730		2,641,239			2,659,969
Fire				5,425,875		5,425,875
Public Works	51,662	1,740,284			143,838	1,935,784
Health	60,107				63,013	123,120
Capital Outlay	1,402,449	1,186,605	216,372	3,436,890	71,054	6,313,370
Debt Service:						
Principal Retirement	954,752			500,000		1,454,752
Interest and Fiscal Charges	63,120			160,562		223,682
<i>Total Disbursements</i>	<u>5,110,950</u>	<u>2,926,889</u>	<u>2,857,611</u>	<u>9,523,327</u>	<u>277,905</u>	<u>20,696,682</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,906,027)</u>	<u>853,938</u>	<u>(80,168)</u>	<u>(2,287,468)</u>	<u>285,742</u>	<u>(3,133,983)</u>
Other Financing Sources (Uses)						
Sale of Lots					45,400	45,400
Other Financing Sources	318,810					318,810
<i>Total Other Financing Sources (Uses)</i>	<u>318,810</u>				<u>45,400</u>	<u>364,210</u>
<i>Net Change in Fund Balances</i>	<u>(1,587,217)</u>	<u>853,938</u>	<u>(80,168)</u>	<u>(2,287,468)</u>	<u>331,142</u>	<u>(2,769,773)</u>
<i>Fund Balances Beginning of Year</i>	<u>4,347,813</u>	<u>3,605,753</u>	<u>3,004,502</u>	<u>5,287,563</u>	<u>653,224</u>	<u>16,898,855</u>
<i>Fund Balances End of Year</i>	<u>\$2,760,596</u>	<u>\$4,459,691</u>	<u>\$2,924,334</u>	<u>\$3,000,095</u>	<u>\$984,366</u>	<u>\$14,129,082</u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Modified-Cash Basis Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2005*

Net Change in Fund Balances - Total Governmental Funds (\$2,769,773)

*Amounts reported for governmental activities in the
statement of activities are different because*

Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund disbursements and related internal service fund charges. Governmental activities report allocated net internal service fund receipts (disbursements). 5,680

Change in Net Assets of Governmental Activities (\$2,764,093)

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$949,722	\$933,212	\$976,132	\$42,920
Licenses, Permits and Fees	40,000	40,000	66,406	26,406
Fines and Forfeitures	60,000	60,000	47,493	(12,507)
Intergovernmental	794,922	857,688	1,499,304	641,616
Interest	230,000	230,000	362,587	132,587
Other	190,000	190,000	253,001	63,001
<i>Total receipts</i>	<u>2,264,644</u>	<u>2,310,900</u>	<u>3,204,923</u>	<u>894,023</u>
Disbursements				
Current:				
General Government	3,087,554	3,138,026	2,638,126	499,900
Police	21,000	21,000	18,730	2,270
Public Works	70,979	110,979	97,794	13,185
Health	60,500	60,500	60,107	393
Capital Outlay	2,376,122	2,285,650	1,789,616	496,034
Debt Service:				
Principal Retirement	954,752	954,752	954,752	
Interest and Fiscal Charges	200,248	200,248	63,120	137,128
<i>Total Disbursements</i>	<u>6,771,155</u>	<u>6,771,155</u>	<u>5,622,245</u>	<u>1,148,910</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,506,511)</u>	<u>(4,460,255)</u>	<u>(2,417,322)</u>	<u>2,042,933</u>
Other Financing Sources (Uses)				
Other Financing Sources	306,500	306,500	318,810	12,310
<i>Total Other Financing Sources (Uses)</i>	<u>306,500</u>	<u>306,500</u>	<u>318,810</u>	<u>12,310</u>
<i>Net Change in Fund Balance</i>	(4,200,011)	(4,153,755)	(2,098,512)	2,055,243
<i>Fund Balance Beginning of Year</i>	4,168,136	4,168,136	4,168,136	
Prior Year Encumbrances Appropriated	179,677	179,677	179,677	
<i>Fund Balance End of Year</i>	<u>\$147,802</u>	<u>\$194,058</u>	<u>\$2,249,301</u>	<u>\$2,055,243</u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Road & Bridge Fund
 For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$3,244,192	\$3,160,455	\$3,311,020	\$150,565
Intergovernmental	409,900	399,320	405,949	6,629
Other	10,000	10,000	63,858	53,858
<i>Total receipts</i>	<u>3,664,092</u>	<u>3,569,775</u>	<u>3,780,827</u>	<u>211,052</u>
Disbursements				
Current:				
Public Works	2,014,530	2,044,530	1,884,056	160,474
Capital Outlay	5,478,093	5,128,093	1,414,220	3,713,873
<i>Total Disbursements</i>	<u>7,492,623</u>	<u>7,172,623</u>	<u>3,298,276</u>	<u>3,874,347</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,828,531)</u>	<u>(3,602,848)</u>	<u>482,551</u>	<u>4,085,399</u>
<i>Fund Balance Beginning of Year</i>	3,319,863	3,319,863	3,319,863	
Prior Year Encumbrances Appropriated	<u>285,890</u>	<u>285,890</u>	<u>285,890</u>	
<i>Fund Balance End of Year</i>	<u><u>(\$222,778)</u></u>	<u><u>\$2,905</u></u>	<u><u>\$4,088,304</u></u>	<u><u>\$4,085,399</u></u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Police Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$2,416,193	\$2,347,793	\$2,469,443	\$121,650
Licenses, Permits and Fees	2,000	2,000	1,416	(584)
Intergovernmental	297,477	289,056	295,382	6,326
Other			11,202	11,202
<i>Total receipts</i>	<u>2,715,670</u>	<u>2,638,849</u>	<u>2,777,443</u>	<u>138,594</u>
Disbursements				
Current:				
Police	3,383,629	3,391,129	3,008,379	382,750
Capital Outlay	2,605,470	2,247,970	216,373	2,031,597
<i>Total Disbursements</i>	<u>5,989,099</u>	<u>5,639,099</u>	<u>3,224,752</u>	<u>2,414,347</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,273,429)</u>	<u>(3,000,250)</u>	<u>(447,309)</u>	<u>2,552,941</u>
<i>Fund Balance Beginning of Year</i>	2,475,188	2,475,188	2,475,188	
Prior Year Encumbrances Appropriated	529,314	529,314	529,314	
<i>Fund Balance End of Year</i>	<u>(\$268,927)</u>	<u>\$4,252</u>	<u>\$2,557,193</u>	<u>\$2,552,941</u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$5,854,763	\$5,763,666	\$6,031,598	\$267,932
Charges for Services			50,920	50,920
Intergovernmental	733,544	722,130	734,922	12,792
Interest	5,000	5,000	48,104	43,104
Other	405,000	405,000	370,315	(34,685)
<i>Total receipts</i>	<u>6,998,307</u>	<u>6,895,796</u>	<u>7,235,859</u>	<u>340,063</u>
Disbursements				
Current:				
Fire	5,853,424	5,921,424	5,541,606	379,818
Capital Outlay	5,748,830	5,595,830	3,823,273	1,772,557
Debt Service:				
Principal Retirement	500,000	500,000	500,000	
Interest and Fiscal Charges	160,600	160,600	160,562	38
<i>Total Disbursements</i>	<u>12,262,854</u>	<u>12,177,854</u>	<u>10,025,441</u>	<u>2,152,413</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,264,547)</u>	<u>(5,282,058)</u>	<u>(2,789,582)</u>	<u>2,492,476</u>
<i>Fund Balance Beginning of Year</i>	1,688,919	1,688,919	1,688,919	
Prior Year Encumbrances Appropriated	<u>3,598,644</u>	<u>3,598,644</u>	<u>3,598,644</u>	
<i>Fund Balance End of Year</i>	<u>\$23,016</u>	<u>\$5,505</u>	<u>\$2,497,981</u>	<u>\$2,492,476</u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
December 31, 2005

	Business-Type Activities	Governmental
	Recreation	Activity
	Enterprise Fund	Internal Service
Assets		
Equity in Pooled Cash and Cash Equivalents	\$762,881	\$16,181
<i>Total Assets</i>	<u>762,881</u>	<u>16,181</u>
Net Assets		
Reserved for Encumbrances	78,052	4,328
Unrestricted	684,829	11,853
Total Net Assets	<u>\$762,881</u>	<u>\$16,181</u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2005*

	<u>Business-Type Activities</u>	<u>Governmental</u>
	<u>Recreation</u>	<u>Activity</u>
	<u>Enterprise Fund</u>	<u>Internal Service</u>
Operating Receipts		
Charges for Services	\$1,318,103	\$31,713
Property and Other Local Taxes	969,453	
Intergovernmental	118,431	
Other Operating Receipts	71,201	
<i>Total Operating Receipts</i>	<u>2,477,188</u>	<u>31,713</u>
Operating Disbursements		
Salaries	1,241,254	6,951
Employee Fringe Benefits	322,765	
Purchased Services	86,757	
Materials and Supplies	261,337	18,976
Other	477,586	106
<i>Total Operating Disbursements</i>	<u>2,389,699</u>	<u>26,033</u>
<i>Change in Net Assets</i>	87,489	5,680
<i>Net Assets Beginning of Year</i>	<u>675,392</u>	<u>10,501</u>
<i>Net Assets End of Year</i>	<u><u>\$762,881</u></u>	<u><u>\$16,181</u></u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
December 31, 2005

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$3,906	\$13,744
<i>Total Assets</i>	3,906	13,744
Net Assets		
Unrestricted	\$3,906	\$13,744

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2005

	Private Purpose Trust
Additions	
Interest	\$65
<i>Total Additions</i>	65
Deductions	
Payments in Accordance with Trust Agreements	0
<i>Total Deductions</i>	0
Change in Net Assets	65
Net Assets - Beginning of Year	3,841
Net Assets - End of Year	\$3,906

See accompanying notes to the basic financial statements

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

Note 1 – Reporting Entity

Washington Township, Montgomery County, (the Township), is a body politic and corporate established in 1796 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 Fiscal Officer.

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

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads, fire protection, emergency medical services, recreational facilities and cemetery maintenance. The Township contracts with the Montgomery County Sheriff's Office for police protection.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the township-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Township does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of Government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, Township receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

The statement of net assets presents the cash balance of the Township and business-type activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each Township function or business-type activity is self-financing on a modified cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of the Township's and governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. 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. The funds of the Township are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The Township classifies funds financed primarily from property taxes, intergovernmental receipts (e.g. rollback and homestead, Local Government Funds), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General, Police, Fire, and Road and Bridge. The General Fund 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 Ohio. The police fund receives property taxes from two operating levies in order to provide safety and policing functions. The Fire fund receives property taxes from two operating levies in order to provide fire-related functions plus ambulance and other emergency services. The Road and Bridge fund receives property taxes from two levies for the maintenance and repair of roads and streets, related drainage and right of way functions.

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Township classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds are used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Township had the following significant Enterprise Fund:

Recreation Fund – This fund is used to account for the recreation center’s activity. It receives funds through user charges and property taxes.

Internal Service Fund - This fund is used to account for the financing of services provided by one department to other departments of the Township on a cost reimbursement basis. The Township had the following significant Internal Service Fund:

Vehicle Maintenance Fund – This fund receives revenues from other funds for routine maintenance performed on Township vehicles.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township’s own programs.

Cemetery Bequest Fund – This fund accounts for monies donated, to be maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments.

Flexible Benefit Fund – This fund accounts for monies withheld from employees to reimburse for medical expenses.

C. Basis of Accounting

The Township’s financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township’s financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2005, the Township invested in nonnegotiable certificates of deposit, U.S. Agencies, and STAR Ohio. The nonnegotiable certificates of deposit and the U.S. Agencies are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows Townships within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 were \$362,587, which included \$291,099 assigned from other Township funds.

F. 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

G. Long-Term Obligations

The Township's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an "other financing source", nor "capital outlay expenditure" is reported at inception. Lease payments are reported when paid.

H. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for the police, fire and road & bridge funds

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Fund balance reserves have been established for encumbrances.

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

Note 3 – Changes in Accounting Principles

- A. For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*. The financial statements now include entity-wide financial statements, which present information for the Township as a whole, and fund financial statements, which present information for individual major funds rather than by fund type.

The Township also implemented GASB Statement No. 37, which clarifies certain provisions of Statement No. 34, including the required content of the Management’s Discussion and Analysis, the classification of program revenues and the criteria for determining major funds, and GASB Statement No. 38, which modifies, establishes and rescinds certain financial statement note disclosures.

- B. For fiscal year 2005, the Township has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposits and Investment Risk Disclosure*. GASB Statement No. 40 creates new disclosure requirements for deposits and investments related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The implementation of this statement had no effect on the Township’s financial statements for fiscal year 2005.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general, police, fire and road and bridge funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$511,295 for the general fund, \$367,141 for the police fund, \$502,114 for the fire fund, and \$371,387 for the road and bridge fund.

Note 5 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that have been identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

Note 5 – Deposits and Investments (continued)

Interim monies held by the Township can be deposited or invested in the following securities:

1. U.S. Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

Note 5 – Deposits and Investments (continued)

Deposits

A. Deposits with Financial Institutions

At December 31, 2005, the carrying amount of all Township deposits was \$6,757,231. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2005, \$7,021,728 of the Township's bank balance of \$7,343,004 was exposed to custodial risk as discussed below, while \$321,275 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Township's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Township.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

B. Investments

As of December 31, 2005, the Township had the following investments:

	Carrying Value	Maturity				Concentration of Credit Risk
		Less Than One Year	2-3	3-4	4-5	
FHLB	\$1,945,000		945,000		1,000,000	23.81
FHLMC	1,496,344			1,496,344		18.32
FNMA	501,250			501,250		6.14
STAR Ohio	4,225,969	4,225,969				51.73
Total Portfolio	\$8,168,563	4,225,969	945,000	1,997,594	1,000,000	

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by limiting investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard and Poor's. The Federal Home Loan Bank notes, Federal Home Loan Mortgage Corp. notes and the Federal National Mortgage Association notes carry a rating of AAA by Standard and Poor's.

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

Note 5 – Deposits and Investments (continued)

The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Concentration of Credit Risk: The Township places no limit on the amount it may invest in any one issuer.

Reconciliation of Cash and Investment to the Statement of Net Assets: The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statements of net assets as of December 31, 2005.

<u>Cash and Investments per footnote</u>	
Carrying amounts of deposits	\$ 6,757,231
Investments	8,168,563
Total	<u>\$14,925,794</u>
 <u>Cash and Investments per Statements of Net Assets</u>	
Governmental activities	\$14,145,263
Business type activities	762,881
Agency funds	13,744
Private purpose trust funds	3,906
Total	<u>\$14,925,794</u>

Note 6 – Property Taxes

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 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent 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 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent 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 due April 30, with the remainder payable by September 20.

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

Note 6 – Property Taxes (continued)

The full tax rate for all Township operations for the year ended December 31, 2005, was \$98.87 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$1,170,865,620
Commercial/Industrial/Mineral	270,129,440
Public Utility Property	
Real	
Personal	32,926,860
Tangible Personal Property	57,489,315
Total Assessed Value	<u>\$1,531,411,235</u>

Note 7 – Risk Management

The Township has obtained commercial insurance for the following risks:

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

The Township utilizes an alternative funding plan for health, dental and life insurance through Great West Insurance Company for full-time employees and elected officials. The Township pays a small monthly administrative fee/stop-loss premium and then only pays for actual benefit payments issued by Great West. The Township also provides dental insurance for eligible part-time employees through Superior Dental. Life insurance, through Principal Life Insurance Company, is also provided to all full-time employees, elected officials and eligible part-time employees.

Note 8 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

Note 8 – Defined Benefit Pension Plan (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) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, OPERS members were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$146,544, \$147,337 and \$130,165 respectively, equal to required contributions for each year.

B. Ohio Police and Fire Pension Fund

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Township is required to contribute 24 percent for firefighters. Contributions are authorized by State statute. The Township's contributions to the Fund for firefighters were \$331,819 for the year ended December 31, 2005, \$312,725 for the year ended December 31, 2004, and \$308,679 for the year ended December 31, 2003. The full amount has been contributed for 2005, 2004, and 2003.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

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. Members of the member-directed plan do not qualify for postretirement health care coverage. 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 traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 Township employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent 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's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

Note 9 - Postemployment Benefits (continued)

increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent 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 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$43,260. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The 2005 employer contribution rate was 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the post employment health care program during 2004 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Township's actual contributions for 2005 that were used to fund post employment benefits were \$107,178 for firefighters. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 10,528 for firefighters.

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

Note 10 – Debt

The Township's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Township Activities</u>						
General Obligation Bonds:						
2002 Issue (\$1,172,790)	5.00%	\$ 954,752		\$ 954,752		
Park Improvement Bonds						
2003 Issue (\$5,000,000)	3.62%	4,500,000		500,000	4,000,000	500,000
Fire Station & Equipment Bond						
Total		<u>\$ 5,454,752</u>	<u>\$</u>	<u>\$1,454,752</u>	<u>\$4,000,000</u>	<u>\$ 500,000</u>

The general obligation bonds are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The following is a summary of the Township's future annual debt service requirements:

Year	G.O. Bonds	
	Principal	Interest
2006	\$ 500,000	\$ 142,211
2007	500,000	123,859
2008	500,000	105,810
2009	500,000	87,404
2010	500,000	68,805
2011 – 2013	1,500,000	96,408
Totals	<u>\$4,000,000</u>	<u>\$ 624,497</u>

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005, were an overall debt margin of \$160,798,180 and an unvoted debt margin of \$84,227,618.

Note 11 – Contingent Liabilities

The Township is defendant in several lawsuits. Although the outcomes of these suits are not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition. In addition, the Auditor of State has issued a referral letter to the Ohio Ethics Commission concerning allegations of possible conflict of interest issues by Township officials.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Washington Township
Montgomery County
8200 McEwen Road
Dayton, Ohio 45458

To the Board of Trustees:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington Township (the Township), Montgomery County, as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated May 2, 2006 wherein we noted the Township implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated May 2, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Township's management dated May 2, 2006, we reported a matter related to noncompliance we deemed immaterial.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Washington Township
Montgomery County
Independent Accountants' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 2, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**WASHINGTON TOWNSHIP
MONTGOMERY 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 1, 2006**