



Mary Taylor, CPA
Auditor of State

WASHINGTON TOWNSHIP
LOGAN COUNTY

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Mary Taylor, CPA

Auditor of State

Washington Township
Logan County
7970 CR. 91
Lewistown, Ohio 43333

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 9, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Washington Township
Logan County
7970 CR 91
Lewistown, Ohio 43333

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Logan County, (the Township) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of Washington Township, Logan County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

October 9, 2007

**WASHINGTON TOWNSHIP
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
Cash Receipts:				
Property Taxes and Other Local Taxes	\$74,823	\$187,883		\$262,706
Intergovernmental	155,193	135,128	\$82,253	372,574
Special Assessments		16,693		16,693
Licenses, Permits, and Fees	12,930	5,292		18,222
Earnings on Investments	21,639	5,737		27,376
Miscellaneous	153	1,902		2,055
Total Cash Receipts	<u>264,738</u>	<u>352,635</u>	<u>82,253</u>	<u>699,626</u>
Cash Disbursements:				
Current:				
General Government	113,711	86		113,797
Public Safety		153,457		153,457
Public Works	3,646	227,990		231,636
Health	8,940	50		8,990
Conservation/Recreation	2,706			2,706
Capital Outlay	26,802	22,075	82,253	131,130
Total Cash Disbursements	<u>155,805</u>	<u>403,658</u>	<u>82,253</u>	<u>641,716</u>
Total Receipts Over/(Under) Disbursements	108,933	(51,023)		57,910
Fund Cash Balances, January 1	<u>211,917</u>	<u>639,400</u>		<u>851,317</u>
Fund Cash Balances, December 31	<u>\$320,850</u>	<u>\$588,377</u>		<u>\$909,227</u>
Reserve for Encumbrances	<u>\$330</u>	<u>\$1,280</u>	<u>\$0</u>	<u>\$1,610</u>

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

WASHINGTON TOWNSHIP
LOGAN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
PRIVATE PURPOSE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

Cash Receipts:	
Earnings on Investments	<u>\$11</u>
Fund Cash Balance, January 1	<u>1,339</u>
Fund Cash Balance, December 31	<u><u>\$1,350</u></u>

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

**WASHINGTON TOWNSHIP
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
Cash Receipts:				
Property Taxes and Other Local Taxes	\$44,724	\$231,009		\$275,733
Intergovernmental	94,978	155,813	\$29,568	280,359
Special Assessments		16,343		16,343
Licenses, Permits, and Fees	7,930	3,098		11,028
Earnings on Investments	12,077	2,837		14,914
Miscellaneous	3,016	3,997		7,013
Total Cash Receipts	<u>162,725</u>	<u>413,097</u>	<u>29,568</u>	<u>605,390</u>
Cash Disbursements:				
Current:				
General Government	91,896	72		91,968
Public Safety		157,408		157,408
Public Works	4,069	265,891		269,960
Health	4,389			4,389
Conservation/Recreation	83			83
Capital Outlay		33,940	29,568	63,508
Total Cash Disbursements	<u>100,437</u>	<u>457,311</u>	<u>29,568</u>	<u>587,316</u>
Total Receipts Over/(Under) Disbursements	62,288	(44,214)		18,074
Fund Cash Balances, January 1 (Restated - See Note 2)	<u>149,629</u>	<u>683,614</u>		<u>833,243</u>
Fund Cash Balances, December 31	<u>\$211,917</u>	<u>\$639,400</u>		<u>\$851,317</u>
Reserve for Encumbrances	<u>\$507</u>	<u>\$27,801</u>	<u>\$0</u>	<u>\$28,308</u>

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

WASHINGTON TOWNSHIP
LOGAN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
PRIVATE PURPOSE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

Cash Receipts:	
Earnings on Investments	\$8
Cash Disbursements	
Health	<u>160</u>
Total Receipts (Under) Disbursements	(152)
Fund Cash Balance, January 1 (Restated - See Note 2)	<u>1,491</u>
Fund Cash Balance, December 31	<u><u>\$1,339</u></u>

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

**WASHINGTON TOWNSHIP
LOGAN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Washington Township, Logan County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees Township directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, police, fire, and emergency medical service protection.

The Township participates in two jointly governed organizations and a public entity risk pool. Note 7 and 8 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Indian Lake EMS Ambulance District provides emergency medical services to local governments.

Indian Joint Fire District provides fire protection to local governments.

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships.

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

B. Accounting Basis

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

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

C. Cash and Investments

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

The Township values certificates of deposit at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**WASHINGTON TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund – This fund receives property tax revenues which are used for constructing, maintaining, and repairing Township roads and bridges.

Police District – This fund receives property tax revenues which are used for police protection of the Township.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Funds:

Public Works Fund – This fund accounts for Issue II money spent on behalf of the Township maintaining and repairing Township roads.

Miscellaneous Capital Projects Fund – This fund accounts for Logan County Sales Tax money spent on behalf of the Township maintaining and repairing Township roads.

4. Fiduciary Funds (Trust Funds)

Fiduciary funds include private purpose trust funds. Trust funds 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. The Township has the following Fiduciary Fund:

Private Purpose Trust Fund(Brownlie Bequest Fund) – This fund has permanent principal amount of \$1,000 and the interest generated from the principal is used for grave upkeep and flowers as specified by the donor.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**WASHINGTON TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2006 and 2005 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

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

2. ACCOUNTING CHANGE

The Mausoleum Fund was previously classified as a Fiduciary Fund – Non Expendable Trust Fund based on the presumption that there was a binding trust agreement preventing the spending of the principal and restricting the use of the income. The Township has not been able to obtain a copy of the will or other documentation to support the trust agreement. As a result, this Fund had to be reclassified to the Special Revenue Fund Type until such time the Township can obtain evidence of a trust agreement. This reclassification had the following impact on fund balances at December 31, 2004:

	Special Revenue Fund Type	Fiduciary Fund – Non Expendable Trust / Private Purpose Trust Fund
Balance December 31, 2004	\$682,168	\$2,937
Restatement	1,446	(1,446)
Restated Balance, January 1, 2005	\$683,614	\$1,491

3. EQUITY IN POOLED CASH

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

	2006	2005
Demand Deposits	\$57,052	\$28,255
Overnight Deposit Sweep Account	851,525	822,401
Certificates of Deposit	2,000	2,000
Total Deposits	\$910,577	\$852,656

Deposits: Deposits up to \$100,000 are insured by (1) Federal Depository Insurance Corporation; or (2) collateralized by the financial institution's public entity deposit pool.

**WASHINGTON TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$141,075	\$264,738	\$123,663
Special Revenue	361,905	352,635	(9,270)
Capital Projects	82,297	82,253	(44)
Fiduciary	10	11	1
Total	<u>\$585,287</u>	<u>\$699,637</u>	<u>\$114,350</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$307,672	\$156,135	\$151,537
Special Revenue	794,430	404,938	389,492
Capital Projects	82,297	82,253	44
Fiduciary	300	300	300
Total	<u>\$1,184,699</u>	<u>\$643,326</u>	<u>\$541,373</u>

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$142,550	\$162,725	\$20,175
Special Revenue	389,432	413,097	23,665
Capital Projects	29,568	29,568	
Fiduciary	5	8	3
Total	<u>\$561,555</u>	<u>\$605,398</u>	<u>\$43,843</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$292,179	\$100,944	\$191,235
Special Revenue	1,071,594	485,112	586,482
Capital Projects	29,568	29,568	
Fiduciary	947	160	787
Total	<u>\$1,394,288</u>	<u>\$615,784</u>	<u>\$778,504</u>

The Township failed to record some restricted revenues in the correct fund which violated the requirements of Ohio Rev. Code Section 5705.10.

**WASHINGTON TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. RETIREMENT SYSTEM

Ohio Public Employees Retirement System

The Township's employees and part-time police officers belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of the participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

Risk Pool Membership

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**WASHINGTON TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. RISK MANAGEMENT (Continued)

Casualty Coverage

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

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

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005.

Casualty Coverage	2006	2005
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>
Property Coverage	2006	2005
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

**WASHINGTON TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. RISK MANAGEMENT (Continued)

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$22,362. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2004	\$ 8,441
2005	\$ 9,274
2006	\$11,186

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

8. JOINTY-GOVERNED ORGANIZATIONS

A. Indian Lake EMS Ambulance District

The Indian Lake EMS Ambulance District, Logan County, 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 District is directed by an appointed four-member Board of Trustees who are from the participating subdivisions, Stokes Township, Washington Township, the Village of Lakeview, and the Village of Russells Point. The District provides ambulance services to the citizens within the District. Financial information can be obtained from Joanna Pittenger, Indian Lake EMS Ambulance District, 301 N. Oak Street P.O. Box 6, Lakeview, Ohio 43331.

B. Indian Joint Fire District

Indian Joint Fire District, Logan County, (the District), 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 District is directed by a self appointing three-member Board of Trustees. The District was formed on July 27, 1988, from the merger of the Fire Districts of Washington Township and the Village of Russells Point. Financial information can be obtained from Barbara Henschen, Clerk, Indian Joint Fire District, 320 SR 708 P.O. Box 61, Russells Point, Ohio 43348-0061.

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Mary Taylor, CPA

Auditor of State

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

Washington Township
Logan County
7970 CR 91
Lewistown, Ohio 43333

To the Board of Trustees:

We have audited the financial statements of Washington Township, Logan County, (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 9, 2007 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

**Internal Control Over Financial Reporting
(Continued)**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001, 2006-002 and 2006-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-001, 2006-002 and 2006-003 are also material weaknesses.

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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-003.

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



Mary Taylor, CPA
Auditor of State

October 9, 2007

**WASHINGTON TOWNSHIP
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Material Weakness

Proper Classification of Revenues

To assist in the effective management and reporting of financial resources, the Township should have procedures in place to help assure that revenues are correctly classified in the accounting records and financial statements. The Township's 2006 accounting records and financial statements had revenue classification errors of \$401 in the General Fund and \$40 in the Special Revenue Motor Vehicle License Tax Fund. In 2005, the Township's accounting records and financial statements had \$2,529 of revenue classification errors in the General Fund, \$237 in the Special Revenue Motor Vehicle License Tax Fund, \$1,146 in the Special Revenue Road and Bridge Fund, and \$1,146 in the Special Revenue Police Fund. The classification errors included the recording of kilowatt tax reimbursements, exempt personal property tax reimbursements, IRP Distributions, homestead and rollback revenues, and motor vehicle license revenue as tax revenue instead of intergovernmental revenue. In addition, revenue from Logan County to help provide EMS services was recorded as charges for services instead of intergovernmental revenue. The failure to correctly record revenues could not only impact the users' understanding of the financial operations, it may also inhibit the Trustees' and management's ability to make sound financial decisions, and may impact the Township's ability to comply with budgetary laws. The accompanying financial statements have been adjusted to reflect this activity in the correct revenue classification.

The Township Fiscal Officer should review the Ohio Township Manual, the UAN Manual, and Auditor of State Audit Bulletins for guidance in the recording of revenues. The Township's Fiscal Officer and Trustees should also perform a periodic review of the financial records to help identify revenue recording errors.

FINDING NUMBER 2006-002

Material Weakness

Fund Classifications

To help assure the proper presentation and disclosure of fund activity, the Township should classify funds according to the reporting requirements of governmental accounting.

Governmental accounting requires funds with a trust agreement and principal that cannot be spent to be classified as either a permanent fund or a private purpose fund depending on whether the income derived from the principal is to benefit the entity's own operations or to benefit individuals, private organizations, or other governments. If there is a trust agreement and both the principal and income can be spent, the fund should be classified as either a special revenue fund or a private purpose trust fund depending on whether or not the money is to benefit the entity's own operations or to benefit individuals, private organizations, or other governments. Absent a trust agreement, contributions with a restricted purpose should be classified as a special revenue fund.

**FINDING NUMBER 2006-002
 (Continued)**

The Township classified its Mausoleum Bequest Fund and its Brownlie Bequest Fund as Permanent Funds. The Brownlie Bequest Fund trust agreement indicated the original principal is to be maintained and the income from the principal is to be spent for flowers and grave upkeep. Therefore this Fund should be classified as a Private Purpose Trust Fund. The Township was unable to locate the trust agreement for the Mausoleum Bequest Fund. As a result there was no evidence that this Fund was actually derived from a trust agreement specifying that the principal was to be maintained. Therefore, this Fund should be classified as a Special Revenue Fund.

The accompanying financial statements have been adjusted to correctly classify these funds. The impact on the fund type balances at December 31 is as follows:

2006		2005	
Fund Type	Amount	Fund Type	Amount
Special Revenue	\$1,499	Special Revenue	\$1,459
Private Purpose	1,350	Private Purpose	1,339
Permanent	(2,849)	Permanent	(2,798)

The Township Fiscal Officer should review governmental accounting resources such as the Ohio Township Manual, the UAN Manual, and Auditor of State Bulletin 2005-005 to further the understanding of fund classifications.

FINDING NUMBER 2006-003

Material Weakness/ Noncompliance Citation

Ohio Rev. Code, Section 5705.10 requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. The Township failed to record the receipt of personal property tax in the funds that received the corresponding property tax revenue. In addition, motor vehicle license excess IRP compensation was not recorded in the correct fund. The failure to record restricted revenues in the correct fund not only violated the imposed restriction on the revenue, but may also result in the material misstatement to the financial statements and may impact the Township's ability to make sound financial decisions.

The accompanying financial statements have been adjusted to correctly classify this revenue. Fund balances at December 31 were impacted as follows:

Fund	2006	Amount	Fund Type	2005	Amount
General	Decrease	\$401	General	Decrease	\$2,529
Motor Vehicle License Tax Fund	Increase	401	Motor Vehicle License Tax Fund	Increase	237
			Road and Bridge Fund	Increase	1,146
			Police Fund	Increase	1,146

**FINDING NUMBER 2006-003
(Continued)**

The Township Fiscal Officer should utilize resources such as Chapter 1 of the Ohio Compliance Supplement, the UAN Manual, and the Ohio Township Manual to provide guidance on the recording of revenues. In addition, the Township should implement review and monitoring procedures to help assure that revenues are recorded in the correct fund.

OFFICIALS' RESPONSE

We did not receive a response from Officials to these findings.



Mary Taylor, CPA
Auditor of State

WASHINGTON TOWNSHIP

LOGAN 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
DECEMBER 31, 2007**