

**Washington Township
Hardin County, Ohio
Financial Statements
December 31, 2009 and 2008**



Mary Taylor, CPA

Auditor of State

Board of Trustees
Washington Township
11369 St. Rt. 81
Dola, Ohio 45835

We have reviewed the *Independent Auditors' Report* of Washington Township, Hardin County, prepared by Taylor, Applegate, Hughes & Associates, Ltd., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Washington Township is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

September 14, 2010

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Washington Township
Hardin County, Ohio

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INDEPENDENT AUDITORS' REPORT

Washington Township
11369 St. Rt. 81
Dola, OH 45835

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Hardin County, Ohio, (the Township), as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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, 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 require 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 governments 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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Hardin County
Independent Auditor's Report
Page 2

In our opinion, because of the effect of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, 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 reserves for encumbrances of Washington Township, Hardin County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2009 and 2008. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 6, 2010, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Taylor, Applegate, Hughes & Assoc., Ltd.

Taylor, Applegate, Hughes and Associates, Ltd.
May 6, 2010

**WASHINGTON TOWNSHIP
HARDIN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUNDS TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>Governmental Fund Types</u> | | | <u>Total</u> |
|--|--------------------------------|----------------------------|-----------------------------|------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>(Memorandum Only)</u> |
| Cash Receipts: | | | | |
| Property and other local taxes | 52,111 | 11,733 | | 63,844 |
| Charges for Services | | | | - |
| Intergovernmental | 41,220 | 98,838 | 15,284 | 155,342 |
| Fines, licenses, and permits | | | | - |
| Earnings on investment | 344 | 242 | | 586 |
| Miscellaneous | 598 | 5,727 | - | 6,325 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 94,273 | 116,540 | 15,284 | 226,097 |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General government | 79,769 | | | 79,769 |
| Public works | 2,131 | 55,326 | | 57,457 |
| Health | | 4,809 | | 4,809 |
| Conservation/Recreation | 4,404 | 1,293 | | 5,697 |
| Capital outlay | 241 | - | 15,284 | 15,525 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 86,545 | 61,428 | 15,284 | 163,257 |
| Total Receipts Over/(Under) Disbursements | 7,728 | 55,112 | - | 62,840 |
| Other Financing Receipts/(Disbursements): | | | | |
| Other Financing Sources | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Other Financing Receipts/(Disbursements) | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total of Receipts and Other Sources Over (Under) Disbursements and Other Uses | 7,728 | 55,112 | - | 62,840 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund cash balances January 1, 2009 | 230,316 | 68,285 | - | 298,601 |
| Fund cash balances, December 31, 2009 | 238,044 | 123,397 | - | 361,441 |
| Reserve for Encumbrances - December 31, 2009 | \$ 799 | \$ 45 | \$ - | \$ 844 |

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

**WASHINGTON TOWNSHIP
HARDIN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUNDS TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

| | <u>Governmental Fund Types</u> | | | <u>Total</u> |
|--|--------------------------------|----------------------------|-----------------------------|------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>(Memorandum Only)</u> |
| Cash Receipts: | | | | |
| Local Taxes | \$ 44,128 | \$ 9,808 | | \$ 53,936 |
| Charges for services | | | | - |
| Intergovernmental | 19,424 | 95,115 | | 114,539 |
| Fines, licenses, and permits | | | | - |
| Earnings on investment | 2,195 | 1,514 | | 3,709 |
| Miscellaneous | 651 | 6,472 | - | 7,123 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 66,398 | 112,909 | - | 179,307 |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General government | 71,270 | | | 71,270 |
| Public safety | | | | - |
| Public works | 1,464 | 125,079 | | 126,543 |
| Health | - | 3,335 | | 3,335 |
| Conservation/Recreation | 6,645 | 955 | | 7,600 |
| Capital outlay | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 79,379 | 129,369 | - | 208,748 |
| Total Receipts Over/(Under) Disbursements | (12,981) | (16,460) | - | (29,441) |
| Other Financing Receipts/(Disbursements): | | | | |
| Other Financing Sources | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Other Financing Receipts/(Disbursements) | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total of Receipts and Other Sources Over (Under) Disbursements and Other Uses | (12,981) | (16,460) | - | (29,441) |
| Fund cash balances, January 1, 2008 | \$ 243,297 | \$ 84,745 | \$ - | \$ 328,042 |
| Fund cash balances, December 31, 2008 | <u>\$ 230,316</u> | <u>\$ 68,285</u> | <u>\$ -</u> | <u>\$ 298,601</u> |
| Reserve for Encumbrances - Decembear 31, 2008 | <u>\$ 799</u> | <u>\$ 45</u> | <u>\$ -</u> | <u>\$ 844</u> |

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

**WASHINGTON TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Washington Township, Hardin County, (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township also has an elected Township Fiscal Officer. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with Ada-Liberty Joint Ambulance District and Blanchard Dunkirk Joint Ambulance District to provide emergency medical services to its residents.

The Township participates in one jointly governed organization and the Ohio Township Association Risk Management Authority public entity risk pool. Notes 6 and 7 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organization:

Hardin County Regional Planning Commission – makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority – provides property and casualty coverage

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

B. Basis of Accounting

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

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

C. Cash and Investments

Demand deposits and savings accounts are valued at cost.

**WASHINGTON TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Gasoline Tax Fund - This fund is used to receive gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Motor Vehicle License Tax Fund - This fund is used to receive tax money for maintaining and repairing township roads.

Cemetery Fund - This fund is used to receive money and fees from the sale of lots, grave openings and grave closings for the purpose of maintaining and operating the Township cemeteries.

Road and Bridge Fund - This fund is used to receive property tax money for constructing, maintaining and repairing Township roads and bridges.

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:

Township Road 85 Countywide Cold Mix - This fund received an Ohio Public Works Commission Grant for reconstruction of Township Road 85. The Township was required to pay matching funds.

**WASHINGTON TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | <u>2009</u> | <u>2008</u> |
|-----------------|----------------|----------------|
| Demand deposits | <u>361,441</u> | <u>298,601</u> |
| Total Deposits | <u>361,441</u> | <u>298,601</u> |

**WASHINGTON TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

2. EQUITY IN POOLED CASH AND INVESTMENTS, continued

Deposits

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

3. BUDGETARY ACTIVITY

2009 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|------------------------------|----------------------------|-----------------|
| General | \$77,473 | \$94,273 | \$16,800 |
| Special Revenue | 111,066 | 116,540 | 5,474 |
| Capital Projects | <u>-0-</u> | <u>15,284</u> | <u>15,284</u> |
| Total | <u>\$188,539</u> | <u>\$226,097</u> | <u>\$37,558</u> |

2009 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|------------------|------------------------------------|-----------------------------------|------------------|
| General | \$227,500 | \$86,545 | \$140,955 |
| Special Revenue | 244,932 | 61,428 | 183,504 |
| Capital Projects | <u>2,819</u> | <u>15,284</u> | <u>(12,465)</u> |
| Total | <u>\$475,251</u> | <u>\$163,257</u> | <u>\$311,994</u> |

2008 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|------------------------------|----------------------------|-------------------|
| General | \$70,372 | \$66,398 | (\$3,974) |
| Special Revenue | 119,020 | 112,909 | (6,111) |
| Capital Projects | <u>1</u> | <u>-0-</u> | <u>(1)</u> |
| Total | <u>\$189,393</u> | <u>\$179,307</u> | <u>(\$10,086)</u> |

2008 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|------------------|------------------------------------|-----------------------------------|------------------|
| General | \$242,100 | \$79,379 | \$162,721 |
| Special Revenue | 257,175 | 129,369 | 127,806 |
| Capital Projects | <u>2,700</u> | <u>-0-</u> | <u>2,700</u> |
| Total | <u>\$501,975</u> | <u>\$208,748</u> | <u>\$293,227</u> |

The \$12,465 excess of expenditures over appropriation authority resulted from failing to report capital projects payments made on behalf of Washington Township.

**WASHINGTON TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

4. PROPERTY TAXES

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the Board. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. OPERS' members contributed 10.0 percent (2009 and 2008) of their gross salaries. The Township contributed an amount equaling 14.0 percent (2009 and 2008) of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

6. RISK MANAGEMENT

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

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

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay

**WASHINGTON TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

6. RISK MANAGEMENT, Continued

annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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, 2008 and 2007 (the latest information available):

| | <u>2008</u> | <u>2007</u> |
|-------------|---------------------|----------------------|
| Assets | \$40,737,740 | \$43,210,703 |
| Liabilities | <u>(12,981,818)</u> | <u>(13,357,837.)</u> |
| Net Assets | <u>\$27,755,922</u> | <u>\$29,852,866</u> |

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, 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 \$3,000.

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.

**WASHINGTON TOWNSHIP
HARDIN COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008**

6. RISK MANAGEMENT, Continued

The Township's contributions to OTARMA for the past three years are as follows:

| Contributions to OTARMA | |
|-------------------------|---------|
| 2007 | \$3,850 |
| 2008 | \$4,195 |
| 2009 | \$3,182 |

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

7. JOINTLY GOVERNED ORGANIZATIONS

Hardin County Regional Planning Commission

The Hardin County Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

Independent Auditors' Report on Internal Control over Financial Reporting
and On Compliance and Other Matters Required by *Government Auditing
Standards*

Washington Township
11369 St. Rt. 81
Dola, OH 45835

To the Board of Trustees:

We have audited the financial statements of Washington Township, Hardin County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 6, 2010 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Internal Control Over Financial Reporting, Continued

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-01 and 2009-05 and 2009-06 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatements, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially effect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2009-02 through 2009-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 6, 2010.

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

Taylor, Applegate, Hughes & Assoc., Ltd.

Taylor, Applegate, Hughes and Associates, Ltd.
May 6, 2010

**WASHINGTON TOWNSHIP
HARDIN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 and 2008**

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

FINDING NUMBER 2009-01

Material Weakness

Auditor of State Bulletin 2000-008, (This bulletin updates and combines the guidance provided in prior bulletins on State Issue II grants (MAS Bulletin 89017) and the retainage contracts (MAS 89-11)) state that a local government shall include in its official or amended certificates of estimated resources that amount of Issue II monies anticipated to be received into the project fund during the year, along with its matching requirements, if appropriate. The fund appropriations should include the amount necessary to meet the obligations to be incurred during the fiscal year. If the project is not expected to be completed in the current year, the remainder of the project must be appropriated immediately in the subsequent year(s).

The Township failed to record the \$15,284 disbursed in 2009 by Ohio Public Works Commission (OPWC) on behalf of Washington Township. In addition, the Township failed to include the OPWC revenues in their Certificate of Estimated Resources amendments. Furthermore, the Township did not appropriate the OPWC funding sources for the year, contrary to the above requirements. The budgetary variance as disclosed in Note 3 is a result of the Township not budgeting the activity discussed in the Audit Bulletin. The Township should follow the guidance in AOS Bulletin 2000-008 to accurately present the Township's financial activity when State funding or on-behalf funding is received.

The financial statements for 2009 were adjusted to present the OPWC receipts and expenditures on behalf of the Township.

Township Response: The Township did not have a response for this finding.

FINDING NUMBER 2009-002

Noncompliance

Ohio Constitution XII, Section 5a Ohio Constitution and Code Section 135.21 require that interest earned on money must be credited to the general fund of the subdivision unless an exception applies. 1982 Op. Atty. Gen. No. 82-031 requires that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal. Interest earned on the deposits from the Gasoline Tax Fund was not credited proportionately to the Gasoline Tax Fund for 2008 and 2009. Interest earned on the deposits from the Motor Vehicle License Tax was not credited proportionately to the Motor Vehicle License Tax for 2008 and 2009. An adjustment of \$678 to the Gasoline Tax Fund and \$211 from the Motor Vehicle License Tax to the General Fund was required to properly distribute the 2008 interest. An adjustment of \$325 to the Gasoline Tax Fund and \$8 to the Motor Vehicle License Tax from the General Fund was required to properly distribute the 2009 interest.

FINDING NUMBER 2009-002, Continued

The Township's Fiscal Officer should properly distribute interest to the appropriate funds based on average monthly cash fund balances of the funds required to receive interest.

The Township has posted the adjustments to their accounting records and the accompanying financial statements.

Township Response: The Township did not have a response for this finding.

FINDING NUMBER 2009-003

Noncompliance

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

There are several exceptions to the standard requirement state above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- 1. "Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
- 2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

FINDING NUMBER 2009-003, Continued

3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2008 and 2009, the Township used purchase orders as though they were blanket certificates or super blanket certificates for recurring expenditures such as utilities, landfill charges, etc. Blanket certificates or super blanket certificates may be used for recurring expenses. Otherwise, a new purchase order should be used for each monthly charge.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Township Fiscal Officer should certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

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

Township Response: The Township did not have a response for this finding.

FINDING NUMBER 2009-004

Noncompliance

Ohio Revised Code Section 5705-36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificated of estimated resources. ORC 5705.36 requires the Township to obtain an increase amended certificate of estimated resources from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. The Ohio Revised Code 5705.36 (A)(4) requires the Township to obtain a reduced amended certificated if the amount of the deficiency will reduce available resources below the current level of appropriation.

FINDING NUMBER 2009-004, continued

In fiscal year 2008, appropriations for both the General Fund and Motor Vehicle License Fund exceeded the amount of available appropriations.

Failure to monitor the appropriations versus available resources could result in expenditures exceeding available resources and possibly result in deficit spending.

We recommend the Fiscal Officer monitor the budget versus actual reports and approve modifications if necessary. Approval of the modifications should be enacted and documented in the Township Minutes.

Township Response: The Township did not have a response for this finding.

FINDING NUMBER 2009-005

Significant Deficiency/Material Weakness/Noncompliance

Ohio Revised Code Section 5705-10 states money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, negative fund balances indicate that money from one fund was used to cover the expenses of another.

The Township's Motor Vehicle License Tax Fund had a negative cash balance at December 31, 2008 in the amount of \$2,507.

We recommend the Township limit spending in funds experiencing cash flow problems to essential purchases only.

Township Response: The Township did not have a response for this finding.

FINDING NUMBER 2009-006

Noncompliance/Material Weakness

Ohio Revised Code Section 5705-10 requires all revenue derived from the following must be paid into the general fund: 1) general levy for current expense within the ten mill limitation, 2) general levy for current expense authorized by vote in excess of the ten mill limitation, 3) sources other than the general property tax, unless its use for a particular purpose is prescribed by law, and 4) estate taxes received by a township or municipal corporation under Revised Code 5731-48.

The Township received \$24,316 in Estate Tax money and posted it into the Cemetery Fund during 2009. As a result, the Township's financial statements did not correctly reflect the financial activity of the Township. The financial statements and Township's accounting records have been adjusted so this transaction is reflected in the proper funds.

FINDING NUMBER 2009-006, Continued

These situations could result in monies being used for purposes other than those prescribed by law. Furthermore, inaccurate posting of transactions impedes the ability of management officials to accurately assess the financial status of the Township.

We recommend all financial transactions be included in the proper account codes as specified in the Ohio Township Handbook issued by the Auditor of State.

Township Response: The Township did not have a response for this finding.

**WASHINGTON TOWNSHIP
HARDIN COUNTY
SCHEDULE OF PRIOR AUDIT FINDING
DECEMBER 31, 2009 AND 2008**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|---|
| 2007-001 | AOS Bulletin 2000-008 – State Issue II Grant money paid on behalf of Township not recorded on Township’s books | No | Not corrected – Reissued as Finding 2009-001 |
| 2007-002 | ORC Sec 135.21 – Allocation of Interest Income | No | Not corrected – Reissued as Finding 2009-002 |
| 2007-003 | ORC Sec 5705.41(D)(1) – Improper certification of available funds prior to purchase | Yes | Corrected. Fiscal Officer is signing all purchase orders |

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Mary Taylor, CPA
Auditor of State

WASHINGTON TOWNSHIP

HARDIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 28, 2010**