



**Auditor of State
Betty Montgomery**

WASHINGTON TOWNSHIP
MONTGOMERY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types and Similar Fiduciary Funds - For the Year Ended December 31, 2002.....	4
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13

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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 Washington Township (the Township), Montgomery County, as of and for the year ended December 31, 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 the Township as of December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Washington Township
Montgomery County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the audit committee, management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

April 7, 2003

**WASHINGTON TOWNSHIP
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property Tax and Other Local Taxes	\$831,612	\$9,321,582		\$10,153,194
Special Assessments		3,032	22,276	25,308
Intergovernmental Receipts	1,913,651	1,288,881		3,202,532
Licenses, Permits, and Fees	54,208	17,001		71,209
Fines and Forfeitures	940			940
Earnings on Investments	331,576	72,542	2,634	406,752
Miscellaneous	157,384	156,740	1,246	315,370
	<u>3,289,371</u>	<u>10,859,778</u>	<u>26,156</u>	<u>14,175,305</u>
Cash Disbursements:				
Current:				
General Government	2,089,793			2,089,793
Public Safety	18,531	6,952,203		6,970,734
Public Works	31,533	1,790,804		1,822,337
Health	102,595	10,465		113,060
Debt Service:				
Principal Payments		71,082	43,401	114,483
Interest Payments		25,462	4,266	29,728
Capital Outlay	2,637,729	1,874,805		4,512,534
	<u>4,880,181</u>	<u>10,724,821</u>	<u>47,667</u>	<u>15,652,669</u>
Total Receipts Over/(Under) Disbursements	(1,590,810)	134,957	(21,511)	(1,477,364)
Other Financing Receipts:				
Other Sources	81,962	19,050		101,012
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(1,508,848)	154,007	(21,511)	(1,376,352)
Fund Cash Balances, January 1	4,040,081	7,377,232	21,511	11,438,824
Fund Cash Balances, December 31	<u>\$2,531,233</u>	<u>\$7,531,239</u>	<u>\$0</u>	<u>\$10,062,472</u>
Reserves for Encumbrances, December 31	<u>\$246,201</u>	<u>\$1,002,309</u>	<u>\$0</u>	<u>\$1,248,510</u>

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

**WASHINGTON TOWNSHIP
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH
BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Funds</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>	<u>Agency</u>	
Operating Cash Receipts:					
Charges for Services	\$1,047,498				\$1,047,498
Other Operating Receipts	178,008	7,493		38,272	223,773
Total Operating Cash Receipts	<u>1,225,506</u>	<u>7,493</u>		<u>38,272</u>	<u>1,271,271</u>
Operating Cash Disbursements:					
Recreation	2,157,526				2,157,526
Contractual Services		5,886			5,886
Capital Outlay	84,281				84,281
Total Operating Cash Disbursements	<u>2,241,807</u>	<u>5,886</u>			<u>2,247,693</u>
Operating Income/(Loss)	<u>(1,016,301)</u>	<u>1,607</u>		<u>38,272</u>	<u>(976,422)</u>
Non-Operating Cash Receipts:					
Property Tax and Other Local Taxes	787,826				787,826
Intergovernmental Receipts	94,821				94,821
Interest			46		46
Total Non-Operating Cash Receipts	<u>882,647</u>		<u>46</u>		<u>882,693</u>
Non-Operating Cash Disbursements:					
Other Non-Operating Cash Disbursements				36,751	36,751
Net Receipts Over/(Under) Disbursements	(133,654)	1,607	46	1,521	(130,480)
Fund Cash Balances, January 1	<u>726,254</u>	<u>1,622</u>	<u>3,926</u>	<u>5,601</u>	<u>737,403</u>
Fund Cash Balances, December 31	<u><u>\$592,600</u></u>	<u><u>\$3,229</u></u>	<u><u>\$3,972</u></u>	<u><u>\$7,122</u></u>	<u><u>\$606,923</u></u>
Reserve for Encumbrances, December 31	<u><u>\$56,096</u></u>	<u><u>\$810</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$56,906</u></u>

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

**WASHINGTON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Washington Township, Montgomery County, (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, recreational facilities, cemetery maintenance, fire protection, emergency medical services, and police services.

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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit, overnight repurchase agreements, and Federal Agency Instrumentalities are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

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 the general operating fund. It is used to account for 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 purposes. The Township had the following significant Special Revenue Funds:

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

**WASHINGTON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Police Fund - This fund receives property taxes from two operating levies in order to provide safety and policing functions.

Fire Fund – This fund receives property taxes from two operating levies in order to provide fire related functions plus ambulance and other emergency services to township residents.

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

Special Assessment Bond Retirement Fund – This fund received special assessments from taxpayers in order to repay debt issued as part of the McEwen Rd. project, Phase 1.

4. Enterprise Fund

This fund is 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 fund through user charges and property taxes.

5. Internal Service Fund

This fund is used to account for the financing of services provided by one department to other departments of the government 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.

6. Fiduciary Funds (Trust and Agency Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary funds:

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.

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

**WASHINGTON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

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 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.

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 2002 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

**WASHINGTON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2002
Demand deposits	(\$184,989)
Certificates of deposit	2,648,300
Total deposits	2,463,311
Federal Agency Instrumentalities	6,493,152
STAR Ohio	1,122,408
National City Bank Sweep Money Market Fund	47,000
Bank One Sweep Money Market Fund	543,524
Total investments	8,206,084
Total deposits and investments	\$10,669,395

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

Investments: The government backed securities including the Federal Agency Instrumentalities are held in book-entry form by the Federal Reserve, in the name of the Township's financial institution. The financial institution maintains records identifying the Township as an owner of these securities.

The Township's agent holds securities collateralizing repurchase agreements. The securities are not in the Township's name. Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,102,384	\$3,371,333	\$268,949
Special Revenue	10,328,503	10,878,828	550,325
Debt Service	26,156	26,156	0
Enterprise	2,077,970	2,108,153	30,183
Internal Service	7,490	7,493	3
Fiduciary	38,045	38,318	273
Total	\$15,580,548	\$16,430,281	\$849,733

**WASHINGTON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,831,175	\$5,126,382	\$1,704,793
Special Revenue	17,587,129	11,727,130	5,859,999
Debt Service	47,667	47,667	0
Enterprise	2,804,217	2,297,903	506,314
Internal Service	9,112	6,696	2,416
Fiduciary	41,592	36,751	4,841
Total	\$27,320,892	\$19,242,529	\$8,078,363

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. 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 payment, 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.

5. DEBT

A. Lease Purchase Agreement

The Township entered into a Lease Purchase (Installment Loan) Agreement for the acquisition of two fire engines. Total amount financed was \$513,350 with annual payments of \$67,145.

Lease-Purchase Obligation outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Lease for Two Fire Engines	\$372,963	6.14%

**WASHINGTON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

5. DEBT (Continued)

B. Park Improvement Bond

On April 29, 2002, the Township issued a nine year, \$1,172,791 Park Improvement Bond, which was used for the purchase of 55.028 acres of land.

Park Improvement Bond outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Park Improvement Bond	\$ 1,172,790.57	5%

C. Future Annual Debt Service Requirements

Amortization of the above debt, including interest, is scheduled as follows:

	Park Improvement Notes	Lease Purchase Obligation
Year ending December 31:		
2003	\$165,000	\$67,145
2004	165,000	67,145
2005	165,000	67,145
2006	165,000	67,145
2007	165,000	67,145
2008 – 2011	660,000	134,290
Total	\$1,485,000	\$470,015

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002. The Township has paid all contributions required through December 31, 2002.

**WASHINGTON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

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. The Township pays a small monthly administrative fee/stop-loss premium and then only pays for actual benefit payments issued by Great West.

8. CONTINGENT LIABILITIES

The Township is defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Washington Township
Montgomery County
8200 McEwen Road
Dayton, Ohio 45458

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township (the Township), Montgomery County, as of and for the year ended December 31, 2002, and have issued our report thereon dated April 7, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated April 7, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

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

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

Betty Montgomery
Auditor of State

April 7, 2003



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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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
MAY 8, 2003**