



**Auditor of State
Betty Montgomery**

WASHINGTON TOWNSHIP
MONROE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Washington Township
Monroe County
36582 Cline Lane
Graysville, Ohio 45734

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Monroe County, Ohio (the Township), as of and for the years ended December 31, 2003 and 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.

The Township's financial transactions were processed using 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 Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As described 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 of Washington Township, Monroe County, as of December 31, 2003 and 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 June 8, 2004, 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.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Washington Township
Monroe County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees 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

June 8, 2004

WASHINGTON TOWNSHIP
MONROE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$17,858	\$4,842	\$	\$22,700
Intergovernmental	9,892	97,990	5,246	113,128
Earnings on Investments	47	19		66
Other Revenue	526	92	5	623
	<u>28,323</u>	<u>102,943</u>	<u>5,251</u>	<u>136,517</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	13,884	480		14,364
Public Safety	1,175	1,790		2,965
Public Works	277	92,263		92,540
Debt Service:				
Redemption of Principal			6,443	6,443
Interest and Fiscal Charges			310	310
	<u>15,336</u>	<u>94,533</u>	<u>6,753</u>	<u>116,622</u>
Total Cash Disbursements				
Excess of Cash Receipts Over/(Under) Cash Disbursements	12,987	8,410	(1,502)	19,895
Fund Cash Balances, January 1	<u>(1,298)</u>	<u>1,906</u>	<u>1,502</u>	<u>2,110</u>
Fund Cash Balances, December 31	<u>\$11,689</u>	<u>\$10,316</u>	<u>\$0</u>	<u>\$22,005</u>

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

**WASHINGTON TOWNSHIP
MONROE 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>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$4,860	\$4,547	\$	\$9,407
Intergovernmental	8,160	55,314	5,837	69,311
Earnings on Investments	8	14		22
Other Revenue	279	244	7	530
Total Cash Receipts	<u>13,307</u>	<u>60,119</u>	<u>5,844</u>	<u>79,270</u>
Cash Disbursements:				
Current:				
General Government	13,844			13,844
Public Safety	761			761
Public Works		61,657		61,657
Debt Service:				
Redemption of Principal			6,126	6,126
Interest and Fiscal Charges			603	603
Total Cash Disbursements	<u>14,605</u>	<u>61,657</u>	<u>6,729</u>	<u>82,991</u>
Excess of Cash Receipts/ (Under) Cash Disbursements	(1,298)	(1,538)	(885)	(3,721)
Fund Cash Balances, January 1	0	3,444	2,387	5,831
Fund Cash Balances, December 31	<u><u>(\$1,298)</u></u>	<u><u>\$1,906</u></u>	<u><u>\$1,502</u></u>	<u><u>\$2,110</u></u>

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

**WASHINGTON TOWNSHIP
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Washington Township, Monroe 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 and fire protection. The Township contracts with the Graysville Volunteer Fire Department to provide fire protection 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. Fund Accounting

The Township uses fund accounting to segregate cash that is 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.

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

3. Debt Service Fund

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

**WASHINGTON TOWNSHIP
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Debt Service Fund (Continued)

Note Retirement Fund – This fund receives gasoline tax money to pay for principal and interest payments related to Township debt. All Township debt was paid off during 2003.

D. 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. 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

E. 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

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>2003</u>	<u>2002</u>
Demand deposits	<u>\$22,005</u>	<u>\$2,110</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002, follows:

**WASHINGTON TOWNSHIP
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,313	\$28,323	\$10
Special Revenue	112,816	102,943	(9,873)
Debt Service	5,251	5,251	0
Total	<u>\$146,380</u>	<u>\$136,517</u>	<u>(\$9,863)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$26,039	\$15,336	\$10,703
Special Revenue	71,829	94,533	(22,704)
Debt Service	7,002	6,753	249
Total	<u>\$104,870</u>	<u>\$116,622</u>	<u>(\$11,752)</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,175	\$13,307	(\$868)
Special Revenue	70,728	60,119	(10,609)
Debt Service	5,400	5,844	444
Total	<u>\$90,303</u>	<u>\$79,270</u>	<u>(\$11,033)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$13,581	\$14,605	(\$1,024)
Special Revenue	73,697	61,657	12,040
Debt Service	7,787	6,729	1,058
Total	<u>\$95,065</u>	<u>\$82,991</u>	<u>\$12,074</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in several function/objects within the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, and the Federal Emergency Management Agency (FEMA) Fund for the year ended December 31, 2003. Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in several function/objects within the General Fund, Gasoline Tax Fund, and the Road and Bridge Fund for the year ended December 31, 2002.

4. PROPERTY TAX

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

**WASHINGTON TOWNSHIP
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX (Continued)

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. RETIREMENT SYSTEMS

Township employees, as well as the Clerk and Trustees, belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Vehicles.



**Auditor of State
Betty Montgomery**

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

Washington Township
Monroe County
36582 Cline Lane
Graysville, Ohio 45734

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Monroe County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 8, 2004, wherein we noted that the Township's financial transactions were processed using 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 conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2003-001 through 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 8, 2004.

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. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 8, 2004.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Washington Township
Monroe 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

June 8, 2004

**WASHINGTON TOWNSHIP
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 505.24 states, in pertinent part, by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution.

During 2002, 100% of the Trustee salaries were paid from the Gasoline Tax Fund in the amount of \$16,206; however the Township had not adopted a resolution authorizing the payment of Trustee salaries from the Gasoline Tax Fund. On May 6, 2004, the Township passed a retroactive resolution authorizing 1% or \$163 of the Trustees' salaries to be paid from the General Fund with the remaining 99% to be paid from the Gasoline Tax Fund.

As of the date of this report, Township management was in agreement with the aforementioned adjustment and this adjustment has been posted to the Township's records and is reflected in the accompanying financial statements.

We recommend the Township Trustees adopt a formal resolution at the organizational meeting each year addressing the allocation of total trustee compensation, if payments of the trustee salaries are to be paid from any fund besides the general fund. Each resolution should proportionally allocate the salary and fringe benefit distribution from various funds in the same proportion as the Trustees' service bears to the activities supported by such funds, as determined by the Board. Benefits such as health insurance and the employer's portion of retirement and Medicare should be paid out of the same funds, and in the same proportions, as the salaries.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 505.60(B) states, in part, that the township may pay for insurance benefits from the funds or budgets from which the officers or employees are compensated for services.

The Township Clerk was compensated from the General Fund during 2003 and 2002. During both 2003 and 2002, the Township paid for portions of the Township Clerk's health insurance reimbursement from the Gasoline Tax Fund in the amount of \$1,807 and \$1,135, respectively. As the Township Clerk's duties are administrative in nature and the Township Clerk was compensated from the General Fund, the entire amount of the Township Clerk's health insurance reimbursement should be paid from the General Fund.

As of the date of this report, Township management was in agreement with the aforementioned adjustments and these adjustments have been posted to the Township's records and are reflected in the accompanying financial statements.

We recommend the Township pay all of the Township Clerk's health insurance reimbursement from the General Fund.

**WASHINGTON TOWNSHIP
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

The Township appropriates at the fund/function/object level. We noted the following instances where expenditures exceeded appropriations at the fund/function/object level as of December 31, 2003:

<u>Fund/Function/Object</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund:			
General Government/ Other – Insurance and Bonding	\$622	\$1,632	(\$1,010)
Public Safety/ Other – Other Expenses	\$100	\$375	(\$275)
Motor Vehicle License Tax Fund:			
Public Safety/ Payment to Another Political Subdivision	\$477	\$874	(\$397)
Gasoline Tax Fund:			
Public Works/ Public Employees Retirement System	\$2,700	\$3,351	(\$651)
Federal Emergency Management Agency Fund:			
Public Works/ Repairs and Maintenance	\$0	\$35,398	(\$35,398)

We noted the following instances where expenditures exceeded appropriations at the fund/function/object level as of December 31, 2002:

<u>Fund/Function/Object</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund:			
General Government/ Other – Insurance and Bonding	\$1,254	\$2,989	(\$1,735)
Gasoline Tax Fund:			
Public Works/ Medical Hospitalization	\$16,847	\$18,596	(\$1,749)
Road and Bridge Fund:			
Public Works/ Other – Insurance and Bonding	\$3,700	\$4,490	(\$790)

We recommend the Board of Trustees and Township Clerk compare expenditures to appropriations at the legal level of control, in this case at the fund/function/object level, on a monthly basis. If appropriations in addition to those already adopted will be needed, then the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations. After obtaining Board approval for appropriations, a certification should be obtained from the County Budget Commission that appropriations do not exceed the estimated resources. The Township Clerk and the Board of Trustees should not make any expenditure until appropriations are available.



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

WASHINGTON TOWNSHIP

MONROE 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
JULY 20, 2004**