



**Auditor of State
Betty Montgomery**

WASHINGTON TOWNSHIP
CLERMONT COUNTY

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**Auditor of State
Betty Montgomery**

Washington Township
Clermont County
2238 State Route 756
Moscow, Ohio 45153

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 a February 2, 2005 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 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.

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Betty Montgomery
Auditor of State

May 11, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Washington Township
Clermont County
2238 State Route 756
Moscow, Ohio 45153

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003. 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 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, 2004, or its changes in financial position for the year 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, Clermont County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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, 2004. 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 May 11, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

May 11, 2006

**WASHINGTON TOWNSHIP
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$147,694	\$1,023,284	\$0	\$1,170,978
Intergovernmental	315,784	1,363,855	80,010	1,759,649
Licenses, Permits, and Fees	6,579	0	0	6,579
Fines and Forfeitures	335	50	0	385
Earnings on Investments	47,519	1,949	0	49,468
Other Revenue	22,704	9,696	0	32,400
	<u>540,615</u>	<u>2,398,834</u>	<u>80,010</u>	<u>3,019,459</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	125,940	0	0	125,940
Public Safety	122,729	1,411,628	0	1,534,357
Public Works	9,280	640,823	0	650,103
Health	29,290	1,318	0	30,608
Conservation - Recreation	44,494	0	0	44,494
Debt Service:				
Redemption of Principal	35,891	0	0	35,891
Interest and Fiscal Charges	4,840	0	0	4,840
Capital Outlay	302,725	14,733	80,010	397,468
	<u>675,189</u>	<u>2,068,502</u>	<u>80,010</u>	<u>2,823,701</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(134,574)</u>	<u>330,332</u>	<u>0</u>	<u>195,758</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(134,574)	330,332	0	195,758
Fund Cash Balances, January 1	<u>298,849</u>	<u>3,206,635</u>	<u>0</u>	<u>3,505,484</u>
Fund Cash Balances, December 31	<u>\$164,275</u>	<u>\$3,536,967</u>	<u>\$0</u>	<u>\$3,701,242</u>
Reserve for Encumbrances, December 31	<u>\$42,337</u>	<u>\$27,702</u>	<u>\$0</u>	<u>\$70,039</u>

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

**WASHINGTON TOWNSHIP
CLERMONT 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>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$193,618	\$1,335,051	\$0	\$1,528,669
Intergovernmental	218,184	1,352,109	45,594	1,615,887
Licenses, Permits, and Fees	6,601		0	6,601
Fines and Forfeitures	202	155	0	357
Earnings on Investments	34,893	2,790	0	37,683
Other Revenue	59,623	11,864	0	71,487
	<u>513,121</u>	<u>2,701,969</u>	<u>45,594</u>	<u>3,260,684</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	123,673	0	0	123,673
Public Safety	118,855	1,281,892	0	1,400,747
Public Works	8,908	377,557	0	386,465
Health	30,815	439	0	31,254
Conservation - Recreation	30,584	0	0	30,584
Capital Outlay	170,072	837,286	45,594	1,052,952
	<u>482,907</u>	<u>2,497,174</u>	<u>45,594</u>	<u>3,025,675</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>30,214</u>	<u>204,795</u>	<u>0</u>	<u>235,009</u>
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Proceeds of Loan	150,000	0	0	150,000
Sale of Fixed Assets	0	120,637	0	120,637
Transfers-In	0	83,417	0	83,417
Transfers-Out	(26,584)	(56,833)	0	(83,417)
	<u>123,416</u>	<u>147,221</u>	<u>0</u>	<u>270,637</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	153,630	352,016	0	505,646
Fund Cash Balances, January 1	133,246	2,866,592	0	2,999,838
Fund Cash Balances, December 31	<u>\$286,876</u>	<u>\$3,218,608</u>	<u>\$0</u>	<u>\$3,505,484</u>
Reserve for Encumbrances, December 31	<u>\$1,018</u>	<u>\$9,536</u>	<u>\$0</u>	<u>\$10,554</u>

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

**WASHINGTON TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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, Clermont County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township also contracts with the Clermont County Sheriff's department to provide 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. 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 disbursements investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The investment with STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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 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 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
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire District Fund - This fund receives property tax money and charges for services for providing fire safety to the Township.

Ambulance Levy Fund – This fund receives money from a levy to provide emergency medical services to residents inside and outside the Township.

3. Capital Project Fund

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 fund:

Boat Ramp Fund – This fund receives money for the development and construction of a two lane boat ramp, park area, car/trailer parking and landscaping.

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. The Township did not properly encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

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.

**WASHINGTON TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$83,817	\$57,518
STAR Ohio	3,617,425	3,447,966
Total deposits and investments	\$3,701,242	\$3,505,484

Deposits: Deposits are insured by the Federal Depository Insurance Corporation. At December 31, 2004, \$14,614 of deposits were not insured or collateralized, contrary to Ohio law.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$534,674	\$540,615	\$5,941
Special Revenue	2,395,187	2,398,834	3,647
Capital Projects	80,010	80,010	0
Total	\$3,009,871	\$3,019,459	\$9,588

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$805,173	\$717,526	\$87,647
Special Revenue	5,501,067	2,096,204	3,404,863
Capital Projects	80,010	80,010	0
Total	\$6,386,250	\$2,893,740	\$3,492,510

**WASHINGTON TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$357,621	\$663,121	\$305,500
Special Revenue	2,274,907	2,906,023	631,116
Capital Projects	45,594	45,594	0
Total	\$2,678,122	\$3,614,738	\$936,616

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$502,840	\$510,509	(\$7,669)
Special Revenue	5,129,527	2,563,543	2,565,984
Capital Projects	45,594	45,594	0
Total	\$5,677,961	\$3,119,646	\$2,558,315

Contrary to Ohio law, the Township has not established a special revenue fund to account for the Boat Ramp Grant funds from the Ohio Department of Natural Resources, as required by the Grant Agreement.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

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

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Boat Ramp Loan	\$114,109	3.9%

The Township issued a note for \$150,000 on November 4, 2003, maturing on November 4, 2007 at an interest rate of 3.9% for the purpose of construction of the Neville Boat Ramp project on the Ohio River not covered by the ODNR grant. The Township will repay the note in quarterly installments of \$10,183, including interest over four years.

**WASHINGTON TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	Boat Ramp Loan
2005	\$40,731
2006	40,731
2007	40,072
Total	<u>\$121,533</u>

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. 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 2004 and 2003, members of OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

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.

8. RELATED PARTY TRANSACTIONS

The Township Clerk/Treasurer is an accountant at Utter Construction. During the period under audit, Washington Township paid Utter Construction \$673,887 for the construction of the Neville Boat Ramp.

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Auditor of State Betty Montgomery

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

Washington Township
Clermont County
2238 State Route 756
Moscow, Ohio 45153

To the Board of Trustees:

We have audited the financial statements of Washington Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated May 11, 2006, 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 also noted that 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 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A Reportable condition is described in the accompanying schedule of findings as item 2004-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Township's management dated May 11, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-003. In a separate letter to the Township's management dated May 11, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

May 11, 2006

**WASHINGTON TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Finding for Recovery – Repaid Under Audit

Ohio Rev. Code, Section 507.09, sets the 2004 compensation for Township clerk/treasurers.

Township Clerk/Treasurer Shelia Dufau completed her appointment for the period of April 1, 2000 to March 31, 2004 and started a new term for the period of April 1, 2004 to March 31, 2008. The salary due and paid to Shelia Dufau based on budgets approved by the county budget commission is as follows:

For townships with a budget between \$3,500,001 and \$6,000,000, the township clerk/treasurer's compensation is \$18,571 (for the first two months of the year). For townships with a budget greater than \$6,000,000 the township clerk/treasurer's compensation is \$19,809 (for the month of March) and \$22,087 (for the remaining nine months). Based on this section, Sheila Dufau should have been paid \$21,311 as compensation for township clerk/treasurer for fiscal year 2004. Ms. Dufau was paid a total of \$22,087, which resulted in a \$776 overpayment of the statutory defined amount.

This finding is based on the following calculation:

Official Certificate of Estimated Resources - \$4,770,026, salary $\$18,571/12 = 1,547.58$

Amended Certificates - \$6,375,696 (2/27/04), and \$6,504,801 (12/29/04)

Salary (January and February) $\$18,571/12 = 1,547.58 \times 2 = 3,095.16$

Salary (March) $\$19,809/12 = 1,650.75 \times 1 = 1,650.75$

Salary (April through December) $\$22,087/12 = 1,840.58 \times 9 = 16,565.22$

$\$3,095.16 + 1,650.75 + 16,565.22 = \$21,311.13$

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is issued against Shelia Dufau, Township Clerk/Treasurer, and the Western Surety Company, her surety, jointly and severally, in the amount of \$776, in favor of the General Fund.

On April 17, 2006, Mrs. Dufau repaid \$776 to the credit of Washington Township's general fund.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.09(F), provides that each subdivision is required to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

The Township has not established a special revenue fund to account for the Boat Ramp Grant funds awarded to the Township in the amount of \$151,238 from the Ohio Department of Natural Resources, as required by the Grant Agreement. During 2003 and 2004 the grant funds were posted to the General fund.

The Township also has not established a special revenue fund to account for the FEMA Firefighters Assistance Grant funds awarded to the Township in the amount of \$85,671. During 2004, \$56,641 of the grant funds were posted to the Fire fund.

FINDING NUMBER 2004-003

Noncompliance Citation/Reportable Condition

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 stated 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 (\$1,000 prior to April 7, 2003) 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.

FINDING NUMBER 2004-002
(Continued)

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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.
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.

The availability of funds was not certified for thirty-nine percent for 2004 and forty-six percent for 2003 of the Township’s expenditures tested, nor did the Township use the aforementioned exceptions. Every effort should be made by the Township to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending the Township’s funds.

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, we recommend that the Clerk certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Township 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.

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**WASHINGTON TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 and 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Ohio Rev. Code Section 5705.10, all revenue for a particular purpose is to be paid into a special fund	No	Not corrected, reissued as finding 2004-002
2002-002	Ohio Rev. Code Section 5705.39, total appropriations from each fund shall not exceed total estimated revenue	No	Partially corrected, reissued as management letter comment



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WASHINGTON TOWNSHIP

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 20, 2006**