



Mary Taylor, CPA
Auditor of State

**WILLSHIRE TOWNSHIP
VAN WERT COUNTY**

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Mary Taylor, CPA
Auditor of State

Willshire Township
Van Wert County
13289 State Route 49
Ohio City, Ohio 45874

To the Board of Trustees:

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

Mary Taylor

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Auditor of State

August 29, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Willshire Township
Van Wert County
13289 State Route 49
Ohio City, Ohio 45874

To the Board of Trustees:

We have audited the accompanying financial statements of Willshire Township, Van Wert County, (the Township), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 opinions.

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

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

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

During the years ended December 31, 2007 and 2006, the Township disbursed \$47,814 from the Motor Vehicle License Tax, Gasoline Tax and Road and Bridge Special Revenue funds for Trustees' salaries. Ohio Rev. Code Section 505.24(C) and OAG Opinion 2004-036 precludes these funds from paying the Trustees' salaries without a resolution specifying that the Township will allocate salaries based on documentation the Trustees submit. The Township had not passed a Trustee Salary Resolution nor did the Trustees submit documentation as to time spent. Therefore, the Trustees' salaries should have been paid from the General Fund. The Township has declined to adjust its financial statements or accounting records. Had this cost been paid from the General Fund, the effect would be to decrease the General Fund cash balance at December 31, 2007 by \$21,917 and at December 31, 2006, by \$25,897. The Special Revenue fund cash balances would have increased by \$21,917 at December 31, 2007 and by \$25,897 at December 31, 2006.

In our opinion, because of the effect of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances of Willshire Township, Van Wert County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

August 29, 2008

**WILLSHIRE TOWNSHIP
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$21,652	\$52,157	\$3,652	\$77,461
Licenses, Permits, and Fees	464	475		939
Intergovernmental	27,317	111,320	378	139,015
Earnings on Investments	571	1,435		2,006
Miscellaneous		375		375
Total Cash Receipts	<u>50,004</u>	<u>165,762</u>	<u>4,030</u>	<u>219,796</u>
Cash Disbursements:				
Current:				
General Government	60,441			60,441
Public Safety		30,940		30,940
Public Works		121,305	3,652	124,957
Health		200		200
Capital Outlay	473	186		659
Debt Service:				
Redemption of Principal	10,556			10,556
Interest and Other Fiscal Charges	540			540
Total Cash Disbursements	<u>72,010</u>	<u>152,631</u>	<u>3,652</u>	<u>228,293</u>
Total Receipts Over/(Under) Disbursements	(22,006)	13,131	378	(8,497)
Other Financing Receipts / (Disbursements):				
Other Financing Sources	<u>39</u>	<u>79</u>		<u>118</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(21,967)	13,210	378	(8,379)
Fund Cash Balances, January 1	<u>25,265</u>	<u>33,130</u>		<u>58,395</u>
Fund Cash Balances, December 31	<u><u>\$3,298</u></u>	<u><u>\$46,340</u></u>	<u><u>\$378</u></u>	<u><u>\$50,016</u></u>

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

**WILLSHIRE TOWNSHIP
VAN WERT COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Other Local Taxes	\$24,092	\$50,261			\$74,353
Licenses, Permits, and Fees	550	1,975			2,525
Intergovernmental	59,707	111,556		\$40,115	211,378
Earnings on Investments	173	232			405
Miscellaneous		600			600
Total Cash Receipts	<u>84,522</u>	<u>164,624</u>		<u>40,115</u>	<u>289,261</u>
Cash Disbursements:					
Current:					
General Government	67,121	738			67,859
Public Safety		27,377			27,377
Public Works		143,052			143,052
Health		487			487
Capital Outlay				40,115	40,115
Debt Service:					
Redemption of Principal	5,887	8,311	\$157		14,355
Interest and Other Fiscal Charges	613	585	16		1,214
Total Cash Disbursements	<u>73,621</u>	<u>180,550</u>	<u>173</u>	<u>40,115</u>	<u>294,459</u>
Total Receipts Over/(Under) Disbursements	10,901	(15,926)	(173)		(5,198)
Other Financing Receipts / (Disbursements):					
Other Financing Sources		434			434
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	10,901	(15,492)	(173)		(4,764)
Fund Cash Balances, January 1	<u>14,364</u>	<u>48,622</u>	<u>173</u>		<u>63,159</u>
Fund Cash Balances, December 31	<u>\$25,265</u>	<u>\$33,130</u>	<u>\$0</u>	<u>\$0</u>	<u>\$58,395</u>

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

**WILLSHIRE TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 Willshire Township, Van Wert County, (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 and cemetery maintenance. The Township contracts with the Village of Willshire and the Village of Wren to provide fire and ambulance services.

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

B. Accounting Basis

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

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

C. Cash and Investments

Savings accounts are valued at cost.

D. Fund Accounting

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

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 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 to pay for constructing, maintaining, and repairing Township roads.

**WILLSHIRE TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The township had the following significant capital project fund:

Issue II Fund – During 2006, the Township received a grant from the State of Ohio through Van Wert County for a resurfacing project.

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. 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 2007 and 2006 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.

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.

**WILLSHIRE TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. EQUITY IN POOLED CASH

The Township maintains a cash 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:

	2007	2006
Demand deposits	\$50,016	\$58,395

Deposits: Deposits are insured by the Federal Depository Insurance Corporation

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$66,891	\$50,043	(\$16,848)
Special Revenue	170,064	165,841	(4,223)
Capital Projects		4,030	4,030
Total	\$236,955	\$219,914	(\$17,041)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$92,736	\$72,010	\$20,726
Special Revenue	202,614	152,631	49,983
Capital Projects		3,652	(3,652)
Total	\$295,350	\$228,293	\$67,057

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,597	\$84,522	\$16,925
Special Revenue	162,253	165,058	2,805
Capital Projects	46,005	40,115	(5,890)
Total	\$275,855	\$289,695	\$13,840

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$82,989	\$73,621	\$9,368
Special Revenue	209,847	180,550	29,297
Debt Service		173	(173)
Capital Projects	46,005	40,115	5,890
Total	\$338,841	\$294,459	\$44,382

**WILLSHIRE TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Township. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9 percent, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7 percent, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

6. RISK POOL MEMBERSHIP

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

A. Casualty Coverage

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

**WILLSHIRE TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. RISK POOL MEMBERSHIP (Continued)

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

B. Property Coverage

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

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

C. Financial Position

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

Casualty Coverage	2007	2006
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net assets	\$29,852,866	\$29,921,614

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$9,110. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**WILLSHIRE TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. RISK POOL MEMBERSHIP (Continued)

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

<u>Contributions to OTARMA</u>	
2005	\$6,545
2006	\$6,709
2007	\$4,555

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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.



Mary Taylor, CPA

Auditor of State

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

Willshire Township
Van Wert County
13289 State Route 49
Ohio City, Ohio 45874

To the Board of Trustees:

We have audited the financial statements of Willshire Township, Van Wert County, (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 29, 2008, wherein we issued an adverse opinion on the financial statements because the Township declined to adjust the financial statements. We also noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. In addition, we noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services and Ohio Revised Code Sections 117.11(B) and 115.56 mandates the Auditor of State to audit Ohio governments. Except as discussed above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-006.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2007-001, 2007-003 and 2007-004 are also material weaknesses.

We noted certain internal control matters that we reported to the Township's management in a separate letter dated August 29, 2008.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-003.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

August 29, 2008

**WILLSHIRE TOWNSHIP
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING FOR ADJUSTMENT NUMBER 2007-001

Material Weakness/ Material Noncompliance – Trustee Compensation Allocation

Ohio Rev. Code Section 505.24(C) permits trustees, by resolution, to receive annual salaries instead of per diem payments. However, for salaries not paid from the general fund, OAG Opinion 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. The “administrative procedures” can be timesheets or a similar method of record keeping, as long as the trustees’ document all time spent on township business and the type of service performed, in a manner similar to trustees’ paid per diem compensation. If the trustees do not document their time, then no part of their salaries or benefits may be paid from these other funds.

Per the above, trustees must keep records of the time spent on various tasks and the fund to which the township will charge their costs. (The sole exception to this is for trustees charging all salaries to the general fund, as described above.) There is no one method for documenting time and the kinds of services rendered. A diary, time sheets or other methods will suffice if they include the information described above.

Prior to the issuance of the aforementioned, OAG Opinion, the Auditor of State (AOS) accepted resolutions that specified percentages of salaries to allocate to various funds, as complying with Rev. Code Section 505.24(C). This OAG Opinion alters that conclusion. Resolutions to pay trustees by salary must now specify that a township will allocate salaries based on documentation the trustees submit, not based on percentages a resolution specifies.

Although the Trustees had been advised in the prior audit that findings would be issued if the new requirements were not followed, there was no evidence that the Board passed a Trustee Salary Resolution or that documentation was maintained for time spent on work performed that could be charged to funds other than the General Fund. Therefore, the Trustee’s salaries should have been paid from the General Fund. During the years ended December 31, 2007 and 2006, the Township disbursed trustees’ salaries and benefits from the Motor Vehicle License Tax, Gasoline Tax, and Road and Bridge, Special Revenue funds, as follows:

<u>2007</u>	<u>Motor Vehicle</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>2007 Total</u>
Trustees' Salaries	\$6,193.52	\$6,881.68	\$5,505.36	\$18,580.56
Employer Share PERS	1,143.73	1,239.04	953.11	3,335.88
Total	<u>\$7,337.25</u>	<u>\$8,120.72</u>	<u>\$6,458.47</u>	<u>\$21,916.44</u>

<u>2006</u>	<u>Motor Vehicle</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>2006 Total</u>
Trustees' Salaries	\$7,443.34	\$7,443.34	\$7,673.32	\$22,560.00
Employer Share PERS	\$1,112.41	\$1,112.41	\$1,112.41	\$3,337.23
Total	<u>\$8,555.75</u>	<u>\$8,555.75</u>	<u>\$8,785.73</u>	<u>\$25,897.23</u>

Had these costs been paid from the General Fund, the effect would be to decrease the General Fund cash balance at December 31, 2007 by \$21,916.44 and at December 31, 2006, by \$25,897.23. The Special Revenue funds cash balances would have increased by the amounts computed above for each fund for each year.

**FINDING FOR ADJUSTMENT NUMBER 2007-001
(Continued)**

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the General fund for the years ended December 31, 2007 and 2006 in the amounts of \$21,916.44 and \$25,897.23, respectively, and in favor of the Special Revenue Funds as indicated above.

The Township has declined to adjust its financial statements or accounting records. The failure to make the required adjustments resulted in a scope limitation and qualification of the opinion on the financial statements because the Auditor of State has no acceptable evidence to support the allocation of the salaries and benefits to funds other than the General fund.

In addition, the lack of a resolution establishing the payment method and the required supporting documentation on the salary and benefit allocations to the various funds could result in future findings for adjustment. The Township Board of Trustees should adopt a resolution to pay the trustees an annual or per diem salary and follow the procedures outlined above.

Officials' Response:

We are implementing a record keeping system to track the time spent on work done by the trustees to be able to track if trustees are to be paid from the road funds or the general fund.

FINDING NUMBER 2007-002

Significant Deficiency/Noncompliance – Health Care Reimbursement

Ohio Rev. Code Section 505.60(C) states that if any township officer or employee is denied coverage under a health care plan procured under division (B) of this section or if any township officer or employee elects not to participate in the township's health care plan, the township may reimburse the officer or employee for each out of pocket premium that the officer or employee incurs for insurance policies described in division (A) of this section that the officer or employee otherwise obtains, but not to exceed an amount equal to the average premium paid by the township for its officer and employees under policies it procures under division (B) of this section.

Attorney General Opinion 2005-038 concluded that, pursuant to Ohio Rev. Code Section 505.60(C), a board of trustees may reimburse a township officer or employee for the out-of-pocket premiums attributable to that officer or employee for health care coverage under insurance policies described in Ohio Rev. Code Section 505.60(A) if the officer or employee is denied health care coverage under a policy procured by the township under Ohio Rev. Code Section 505.60(B), or if the officer or employee elects not to participate in the township's health care plan. The policies described in 505.60(A) do not include family coverage. Therefore, the township should not reimburse for premium costs attributable to the spouse or dependents of an officer or employee.

The Township reimbursed a Township Trustee for family coverage in the amounts of \$1,876 and \$2,214 for the years 2006 and 2007, respectively, which was in excess of his actual out-of-pocket premium expenses attributable to him only.

Our audits of townships during this audit period have revealed ambiguity in the interpretation of the health care reimbursement statutes, as demonstrated in the opinions of several prosecuting attorneys submitted to our office. In addition, legislation has been introduced and passed the Ohio House of Representatives to extend reimbursement to township officials and employees for premiums for family coverage. Therefore, we will not issue Findings for Recovery for these expenditures during the 2006-2007 audit period.

**FINDING NUMBER 2007-002
(Continued)**

We recommend the Township revise its health care premium reimbursement policy to limit reimbursement to amounts attributable to township officials and employees only, unless and until HB 458 is passed by the legislature and becomes law.

Officials Response:

We will only reimburse for the elected officials' portion of the premium when they are included in a family plan.

FINDING NUMBER 2007-003

Material Weakness/ Material Non compliance – Tax Increment Fund

Ohio Rev. Code Section 5709.75(A), states that any township that receives service payments in lieu of taxes under section 5709.74 of the Revised Code shall establish a township public improvement tax increment equivalent fund ("Tax Increment Fund (TIF)") into which those payments shall be deposited.

TIF service payments in the amount of \$3,652 were received in 2007 and a TIF Fund was not created. The revenues were posted to the Gasoline Tax Fund as a reduction of expenditure against expenditures made on behalf of the TIF monies in 2005.

The failure to create the required fund and the reduction of expenditures that occurred in a prior year resulted in the misstatement of the financial statements and required material adjustments to the Gasoline Tax and the TIF Funds.

A TIF Fund should be created to deposit the service payments distributed by the County Auditor for each source of TIF revenue that has a specific requirement.

Officials' Response:

We will create a TIF fund to track the tax money for these TIFs and will make the required adjustments.

FINDING NUMBER 2007-004

Material Weakness – Money Spent on Behalf of the Township

The Ohio Public Work Commission Issue II receipts and disbursements, in the amount of \$37,917, paid directly to contractors were not recorded in the accounting records or in the 2006 annual financial report. Money spent on behalf of the Township is required to be recorded in the records and reported in the annual financial report.

The failure to report money spent on behalf of the Township resulted in an understatement of the receipts and disbursement in the financial statements and required a material adjustment to the Capital Project Fund.

Money spent on behalf of the Township should be recorded in the financial records and reported in the annual financial report. The Fiscal Officer should consult the guidance available in Auditor of State Bulletin 2000-008 regarding accounting for on-behalf payments such as Issue II funds.

Officials' Response:

We will properly report Issue II monies in the future.

FINDING NUMBER 2007-005

Significant Deficiency - Debt Activity

Payments were made to retire loans for a tractor and the Township building. The payment for the building was made from capital outlay, public works and general government line item accounts, and the tractor payments were made from the public works and capital outlay line item accounts from the various funds as follows:

	<u>2006</u>		<u>Adjusted Total</u>
	<u>Capital Outlay</u>	<u>Public Works</u>	
Building Loan			
General	\$6,500		
Gasoline Tax		\$925	
Road and Bridge		4,056	
Debt Retirement		157	
Total	<u>\$6,500</u>	<u>\$5,138</u>	
Tractor Loan			
Gasoline Tax		2,512	
Motor Vehicle License		1,403	
Total		<u>\$3,915</u>	
	Principal and Interest		<u>\$15,553</u>
	<u>2007</u>		<u>Total</u>
	<u>General Government</u>	<u>Capital Outlay</u>	
Building Loan			
General	<u>\$540</u>	<u>\$10,556</u>	
	Principal and Interest		<u>\$11,096</u>

Lack of recording the transactions as debt activity gives an inaccurate view of the financial activities that are reported on the financial statements. There was no evidence that the Board has ever approved the debt payment allocation used, nor has the authorization for debt payments been included in the annual appropriation resolution. The amounts noted above have been adjusted to the principal and interest line items in the financial statements.

Debt payments made to a financial institution should be recorded as debt service principal and interest payments and should be made from the correct funds and reported under debt service. To determine the correct fund, the Board needs to approve the debt payment allocation at the organizational meeting each year and include the required amounts under debt payments in the annual appropriation measure. The Trustees should be aware of debt payment due dates and monitor the records and financial statements monthly to verify the proper recording of the debt payments.

Officials' Response:

We will set up Debt line items in the fund that interest & principle are paid from in the future.

FINDING NUMBER 2007-006

Significant Deficiency - Classifying Revenues

The Township posted all transactions to the cash journal and revenue ledger; however, not all transactions were posted to the correct account. The chart of accounts to be used for posting revenue activity is set by Chapter 117-3 of the Ohio Administrative Code, and outlined in the Uniform Accounting Network (UAN) Chart of Accounts. The following items were not posted according to the chart of accounts during 2007 and 2006:

- Motor Vehicle License Tax in the amounts of \$15,299 and \$16,153 were incorrectly posted as Taxes instead of Intergovernmental Revenue, during 2007 and 2006, respectively.
- During both 2007 and 2006, personal property tax replacement was posted as taxes and incorrectly allocated between the General, Road and Bridge, and Fire Funds. During 2007, this impacted the following fund line items in the indicated amounts: (\$71) taxes and \$125 intergovernmental revenue in the General Fund and (\$197) taxes and \$144 intergovernmental revenue in the Fire Fund. During 2006, the effect was (\$135) taxes and \$69 intergovernmental revenue in the General Fund, (\$34) taxes and \$79 intergovernmental revenue in the Fire Fund and (\$54) taxes and \$75 intergovernmental revenue in the Road and Bridge Fund.
- During 2006, the deregulation of \$800 was posted to other financing sources in the General Fund instead of the proper allocation of \$286, \$242, and \$272 to the General, Fire, and Road and Bridge Funds respectively as intergovernmental revenue.

The failure to follow the UAN chart of accounts when coding revenue and expenditure activity could result in the material misstatement of the revenue and expenditure line items for reporting.

The UAN chart of accounts should be reviewed when posting revenue and expenditure activity to determine which account code best represents the transaction. Also, the Fiscal Officer should post revenue and expenditure corrections that occur within the same year as reductions of the original transactions.

Officials Response:

We will make sure the revenues are entered in the proper account in the correct funds.

**WILLSHIRE TOWNSHIP
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	ORC Sec. 505.60 (A) – Insurance Over-payment	Yes, repaid under audit	
2005-002	ORC Sec. 5705.41(D) – Failure to obtain prior certification for expenditures	No	Substantially corrected – Verbal comment made.



Mary Taylor, CPA
Auditor of State

WILLSHIRE TOWNSHIP

VAN WERT 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
OCTOBER 7, 2008**