

Washington Township
Pickaway County
Regular Audit
For the Years Ended December 31, 2007 and 2006
Fiscal Years Audited Under GAGAS: 2007 and 2006

BALESTRA, HARR & SCHERER, CPAs, INC.
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639, www.bhscpas.com



Mary Taylor, CPA

Auditor of State

Township Trustees
Washington Township
6906 Old Tarlton Road
Circleville, Ohio 43113

We have reviewed the *Independent Auditor's Report* of Washington Township, Pickaway County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Finding for Recovery Repaid Under Audit

Ohio Rev. Code Section 505.24 defines, in part, the maximum compensation allowed for township trustees based on the Township's annual budget. During January 1 through November 30, 2007, the Township Trustees were entitled to a salary of \$9,174 based on the Township's budget being between \$750,001 and \$1,500,000. During December 2007, the Township Trustees were entitled to a salary of \$ 917.50 based on the Township's budget being between \$1,500,001 and \$3,500,000.

During January 1 through June 30, 2006, the Township Trustees were entitled to a salary of \$4,921 based on the Township's budget being between \$ 750,001 and \$1,500,000. From July 1 through December 30, 2006, the Township Trustees were entitled to a salary of \$5,413 based on the Township's budget being between \$1,500,001 and \$3,500,000.

Township Trustees
Washington Township
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However, the Township erroneously paid the Trustees at an incorrect rate. For 2007, each Trustee was overpaid \$918.50 for a total of \$2,755.50. For 2006, each Trustee was overpaid \$410 for a total of \$1,230.

Total overpayment to each Trustee for 2007 and 2006 was \$1,328.50.

Date Paid	Amount Paid	Maximum Statutory Compensation	Over/(Under) Payment
1/30/2007	\$ 2,502.00	\$ 2,502.00	\$ -
2/26/2007	\$ 2,502.00	\$ 2,502.00	-
3/31/2007	\$ 2,502.00	\$ 2,502.00	-
4/30/2007	\$ 2,502.00	\$ 2,502.00	-
5/31/2007	\$ 2,502.00	\$ 2,502.00	-
6/30/2007	\$ 2,502.00	\$ 2,502.00	-
7/31/2007	\$ 2,502.00	\$ 2,502.00	-
8/31/2007	\$ 2,502.00	\$ 2,502.00	-
9/30/2007	\$ 2,502.00	\$ 2,502.00	-
10/31/2007	\$ 2,502.00	\$ 2,502.00	-
11/30/2007	\$ 2,502.00	\$ 2,502.00	-
12/27/2007	\$ 5,508.00	<u>2,752.50</u>	<u>2,755.50</u>
Totals	<u>\$ 33,030.00</u>	<u>\$ 30,274.50</u>	<u>\$ 2,755.50</u>

<u>Date Paid</u>	<u>Amount Paid</u>	<u>Maximum Statutory Compensation</u>	<u>Over/(Under) Payment</u>
1/30/2006	\$ 2,460.51	\$ 2,460.51	\$ -
2/26/2006	\$ 2,460.51	\$ 2,460.51	-
3/31/2006	\$ 2,460.51	\$ 2,460.51	-
4/30/2006	\$ 2,460.51	\$ 2,460.51	-
5/31/2006	\$ 2,460.51	\$ 2,460.51	-
6/30/2006	\$ 2,460.51	\$ 2,460.51	-
7/31/2006	\$ 3,936.51	\$ 2,706.51	1,230.00
8/31/2006	\$ 2,706.51	\$ 2,706.51	-
9/30/2006	\$ 2,706.51	\$ 2,706.51	-
10/31/2006	\$ 2,706.51	\$ 2,706.51	-
11/30/2006	\$ 2,706.51	\$ 2,706.51	-
12/27/2006	\$ 2,706.51	\$ 2,706.51	-
Totals	<u>\$ 32,232.12</u>	<u>\$ 31,002.12</u>	<u>\$ 1,230.00</u>

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery is hereby issued for public money illegally expended is hereby issued against Russell Congrove, Gerald Wolford, and James Lands, Washington Township Trustees, in the amount of \$1,328.50 each in favor of the Washington Township Gasoline Tax Fund.

Each Trustee repaid the Township \$1,328.50 on August 4, 2008.

Finding for Recovery Repaid Under Audit

Ohio Rev. Code Section 507.09 defines, in part, the maximum compensation allowed for township fiscal officers based on the Township’s annual budget. During January 1 through November 30, 2007, the Township Fiscal Officer was entitled to compensation of \$15,138.75, based on the Township’s budget being between \$750,001 and \$1,500,000. During December 2007, the Township Fiscal Officer was entitled to compensation of \$1,605.58 based on the Township’s budget being between \$1,500,001 and \$3,500,000. Thus, the maximum compensation allowed for 2007 was \$16,744.33. However, the fiscal officer was compensated \$19,267 which resulted in an overpayment of \$2,522.67.

During January 1 through June 30 2006, the Township Fiscal officer was entitled to compensation of \$8,119.02 based on the Township's budget being between \$750,001 and \$1,500,000. For July 1 through December 31 2006, the Township's fiscal officer was entitled to compensation of \$9,472.50 based on the Township's budget being between \$1,500,001 and \$3,500,000. Thus the maximum compensation allowed for 2006 was \$17,591.52. However the Fiscal Officer was compensated \$18,719.41 which resulted in an overpayment of \$1,127.89.

Total overpayment for 2007 and 2006 was \$3,650.56.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery is hereby issued for public money illegally expended against Karen Huffman, Township Fiscal Officer, in the amount of \$3,650.56 in favor of the Washington Township General Fund.

The Fiscal Officer repaid the Township \$3,650.56 on August 4, 2008.

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



Mary Taylor, CPA
Auditor of State

August 29, 2008

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Pickaway County
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BALESTRA, HARR & SCHERER, CPAS, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Township Trustees
Washington Township
Pickaway County
6906 Old Tarlton Pike Road
Circleville, Ohio 43113

We have audited the accompanying financial statements of the Washington Township, Pickaway 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 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 reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, 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 for, 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 require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Washington Township, Pickaway County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 2.

The Township has not presented Management's Discussion & 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 June 27, 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.



Balestra, Harr & Scherer, CPAs, Inc.

June 27, 2008

**Washington Township
Pickaway County**

*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Funds
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>	<u>Permanent Fund</u>	
Cash Receipts:					
Property and Local Taxes	\$ 78,933	\$ 196,412	\$ -	\$ -	\$ 275,345
Intergovernmental	31,525	122,369	45,227	-	199,121
Fines, Licenses & Permits	5,524	-	-	-	5,524
Earnings on Investments	7,126	3,410	-	13	10,549
Miscellaneous	5,838	-	-	-	5,838
Total Cash Receipts	128,946	322,191	45,227	13	496,377
Cash Disbursements:					
Current:					
Public Health Service	15,035	-	-	-	15,035
Public Works	-	317,075	-	-	317,075
General Government	137,511	10,199	-	-	147,710
Capital Outlay	7,606	90,000	45,227	-	142,833
Total Cash Disbursements	160,152	417,274	45,227	-	622,653
Total Cash Receipts Over Cash Disbursements	(31,206)	(95,083)	-	13	(126,276)
Other Financing Receipts and (Disbursements):					
Proceeds from Sale of Fixed Assets	7,200	-	-	-	7,200
Other Financing Sources	543	-	-	-	543
Total Other Financing Receipts/(Disbursements)	7,743	-	-	-	7,743
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	(23,463)	(95,083)	-	13	(118,533)
Fund Cash Balances, January 1	193,715	738,069	-	863	932,647
Fund Cash Balances, December 31	\$ 170,252	\$ 642,986	\$ -	\$ 876	\$ 814,114

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

**Washington Township
Pickaway County**

*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Funds
For the Year Ended December 31, 2006*

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent Fund</u>	
Cash Receipts:				
Property and Local Taxes	\$ 74,979	\$ 187,575	\$ -	\$ 262,554
Intergovernmental	41,477	410,634	-	452,111
Fines, Licenses & Permits	13,015	-	-	13,015
Earnings on Investments	7,165	3,055	12	10,232
Miscellaneous	6,659	-	-	6,659
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	143,295	601,264	12	744,571
Cash Disbursements:				
Current:				
Public Health Service	12,610	-	-	12,610
Public Works	-	212,670	-	212,670
General Government	123,332	26,404	-	149,736
Capital Outlay	-	315,831	-	315,831
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	135,942	554,905	-	690,847
Total Cash Receipts Over Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	7,353	46,359	12	53,724
Fund Cash Balances, January 1 (Restated - See Note 9)	<hr/>	<hr/>	<hr/>	<hr/>
	186,362	691,710	851	878,923
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$ 193,715</u>	<u>\$ 738,069</u>	<u>\$ 863</u>	<u>\$ 932,647</u>

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

NOTE 1 - DESCRIPTION OF THE ENTITY

The Washington Township (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 the following services: cemetery maintenance and road and bridge maintenance. The Township contracts with Clearcreek Township to provide fire protection services and Pickaway Plains to provide emergency medical services.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Township’s accounting policies are described below.

A. 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 the State.

B. BASIS OF PRESENTATION – FUND ACCOUNTING

The accounts of the Township are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Township.

GOVERNMENTAL FUNDS

General Fund

The general fund is used to account for all activities of the Township not required to be included in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures 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.

Road District Fund – This fund receives tax money for the purpose of improving and maintaining roads within the township.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. BASIS OF PRESENTATION – FUND ACCOUNTING (CONTINUED)

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain and repair Township roads.

Capital Projects Fund

Public Works Commission- This fund is used to account for an OPWC grant and related capital outlay expenditures.

Permanent Fund

The permanent fund is used to account for earnings and the corpus can be used for the terms of the bequest. Interest earnings are expendable from this fund for the general upkeep of the cemetery. The original principal amount is not expendable.

C. BUDGETARY PROCESS

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

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.

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.

Encumbrances:

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried forward to the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 5.

D. CASH AND CASH EQUIVALENTS

Certificates of deposit are valued at cost.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. ACCUMULATED LEAVE

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

G. TOTAL COLUMNS OF FINANCIAL STATEMENTS

Total columns on the financial statements are captioned “Total (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 – EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Demand Deposits	\$ 813,614	\$ 932,147
Certificates of Deposit	500	500
Total Deposits	<u>\$ 814,114</u>	<u>\$ 932,647</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by the financial institution’s public entity deposit pool.

NOTE 4 – PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. 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 by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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 taxes, billing, collecting, and distributing all property taxes on behalf of the Township.

Washington Township
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 5 – BUDGETARY ACTIVITY

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

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 132,851	\$ 136,689	\$ 3,838
Special Revenue	433,042	322,191	(110,851)
Capital Projects	48,937	45,227	(3,710)
Permanent	49	13	(36)
Total	\$ 614,879	\$ 504,120	\$ (110,759)

2007 Budgeted vs. Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Actual Disbursements	Variance
General	\$ 329,332	\$ 160,152	\$ 169,180
Special Revenue	1,167,750	417,274	750,476
Capital Projects	45,227	45,227	-
Permanent	913	-	913
Total	\$ 1,543,222	\$ 622,653	\$ 920,569

2006 Budgeted vs. Actual Reports

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 124,851	\$ 143,295	\$ 18,444
Special Revenue	716,136	601,264	(114,872)
Permanent	49	12	(37)
Total	\$ 841,036	\$ 744,571	\$ (96,465)

2006 Budgeted vs. Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Actual Disbursements	Variance
General	\$ 313,979	\$ 135,942	\$ 178,037
Special Revenue	1,113,984	554,905	559,079
Permanent	901	-	901
Total	\$ 1,428,864	\$ 690,847	\$ 738,017

NOTE 6 – RETIREMENT SYSTEM

The Township's elected officials and employees belong to the Public Employees Retirement System (OPERS) of Ohio. 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.

NOTE 6 – RETIREMENT SYSTEM – (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, OPERS members contributed 9.5 and 9 percent, respectively, of their gross salaries. The Township contributed an amount equal to 13.85 and 13.70 percent, respectively, of participants' gross salaries. The Township has paid all employer contributions required through December 31, 2007.

NOTE 7 – RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTARMA provides property and casualty coverage for its members. 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.

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, Pool retains casualty risk up to \$350,000 per occurrence. 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.

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 to January 1, 2006).

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. For 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 in 2006, 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.

Washington Township
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 7 – RISK MANAGEMENT – (Continued)

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2007 2006:

	2007	2006
Assets	\$ 43,210,703	\$ 42,042,275
Liabilities	(13,357,837)	(12,120,661)
Retained Earnings	\$ 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 \$13,600. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph of this section below.

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.

Contributions to OTARMA	
2006	\$5,680
2007	6,786

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minimum 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.

NOTE 8- CONTIGENT LIABILITY

LITIGATION

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

NOTE 9- RESTATEMENT OF BEGINNING FUND CASH BALANCES

In prior years, the Township reported an expendable trust fund. However, with the issuance of Auditor of State Technical Bulletin 2005-005, the Township has reexamined this fund and deemed it appropriate to report this fund as a permanent fund, in accordance with this Technical Bulletin. A restatement of fund cash balances was necessary and had the following impact on the financial statements:

	Expendable Trust Fund	Permanent Fund
Fund Cash Balance, December 31, 2005	\$851	\$0
Fund Reclassification	(851)	851
Restated Fund Cash Balance, January 1, 2006	<u>\$0</u>	<u>\$851</u>

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Piketon, Ohio 45661

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Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed in Accordance With *Government Auditing Standards*

Township Trustees
Washington Township
Pickaway County
6906 Old Tarlton Pike Road
Circleville, Ohio 43113

We have audited the financial statements of Washington Township, Pickaway County, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 27, 2008 wherein we 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not opine 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial report. This item has been identified as item 2007-1 in the accompanying schedule of findings.

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 misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do believe the significant deficiency described above is also a material weakness.

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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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we have reported to the Township's management in a separate letter dated June 27, 2008.

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



Balestra, Harr & Scherer, CPAs, Inc.
June 27, 2008

Washington Township
Pickaway County
Schedule of Findings
For the Years Ended December 31, 2007 and 2006

Finding Number 2007-1

Material Weakness – Misstatements in the Financial Statements

Misstatements were identified during the course of the audit which were not prevented or detected by the Township's internal controls over financial reporting. Misstatements were identified in the following area:

- Capital outlay expenditures.
- Cash balances.
- Other financing sources.

These misstatements were corrected in the accompanying financial statements.

The Township should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Client's Response

I will make corrections of misstatements and will contact UAN for any needed assistance.



Mary Taylor, CPA
Auditor of State

WASHINGTON TOWNSHIP

PICKAWAY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 11, 2008**