

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

FINANCIAL STATEMENTS

*FOR THE YEARS ENDED
DECEMBER 31, 2005 AND 2004*

MS. MIKEL BROWN, FISCAL OFFICER



**Auditor of State
Betty Montgomery**

Board of Trustees
Washington Township
P. O. Box 232
Piqua, Ohio 45356

We have reviewed the *Independent Auditors' Report* of Washington Township, Miami County, prepared by Julian and Grube, Inc., for the audit period January 1, 2004 through December 31, 2005. 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.

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, Miami County is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 21, 2006

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**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

TABLE OF CONTENTS

| | |
|---|---------|
| Independent Auditors' Report | 1 - 2 |
| Management's Discussion and Analysis | 3 - 10 |
| Cash Basis Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets - Cash Basis, December 31, 2005 | 11 |
| Statement of Activities - Cash Basis, December 31, 2005..... | 12 |
| Statement of Net Assets - Cash Basis, December 31, 2004..... | 13 |
| Statement of Activities - Cash Basis, December 31, 2004..... | 14 |
| Fund Financial Statements: | |
| Statement of Assets and Fund Balances Arising from Cash Transactions - Governmental Funds, December 31, 2005..... | 15 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Governmental Funds, December 31, 2005 | 16 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Budget and Actual (Budgetary Basis) - General Fund, December 31, 2005 | 17 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Budget and Actual (Budgetary Basis) - Gasoline Tax Fund, December 31, 2005..... | 18 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Budget and Actual (Budgetary Basis) - Road and Bridge Fund, December 31, 2005 | 19 |
| Statement of Assets and Fund Cash Balances Arising from Cash Transactions - Governmental Funds, December 31, 2004..... | 20 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Governmental Funds, December 31, 2004 | 21 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Budget and Actual (Budgetary Basis) - General Fund, December 31, 2004 | 22 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Budget and Actual (Budgetary Basis) - Gasoline Tax Fund, December 31, 2004..... | 23 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Budget and Actual (Budgetary Basis) - Road and Bridge Fund, December 31, 2004 | 24 |
| Notes to the Basic Financial Statements..... | 25 - 36 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 37 |

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditors' Report

Board of Trustees
Washington Township, Miami County
P.O. Box 232
Piqua, OH 45356

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Washington Township, Miami County, Ohio, (the "Township"), as of and for the years ended December 31, 2005 and December 31, 2004, which collectively comprise the Township's financial statements as listed in the table of contents. 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Washington Township, Miami County, Ohio, as of December 31, 2005 and December 31, 2004, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund and Special Revenue Funds: Gasoline Tax and Road and Bridge, thereof and for the years then ended in conformity with the basis of accounting as described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditors' Report
Washington Township
Page Two

The management's discussion and analysis on pages 3 through 10 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
April 13, 2006

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED**

The management's discussion and analysis of Washington Township's (the "Township") financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2005 and 2004, within the limitations of the Township's cash basis of accounting. The intent of this discussion and analysis is to look at the Township's financial performance as a whole; readers should also review the cash-basis basic financial statements and the notes to the financial statements to enhance their understanding of the Township's financial performance.

Financial Highlights

Key financial highlights for 2005 and 2004 are as follows:

- For fiscal year 2005, the total net cash assets of the Township decreased \$16,562 or 4.19%. For fiscal year 2004, the total net cash assets of the Township decreased \$42,808 or 9.77%.
- For fiscal year 2005, general cash receipts accounted for \$159,485 or 59.96% of total governmental activities cash receipts and program specific cash receipts accounted for \$106,478 or 40.04% of total governmental activities cash receipts. For fiscal year 2004, general cash receipts accounted for \$170,445 or 63.87% of total governmental activities cash receipts and program specific cash receipts accounted for \$96,410 or 36.13% of total governmental activities cash receipts.
- For fiscal year 2005, the Township had \$282,525 in cash disbursements related to governmental activities; \$106,448 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily grants, entitlements and taxes) of \$159,485 were adequate to provide for these programs. For fiscal year 2004, the Township had \$309,663 in cash disbursements related to governmental activities; \$96,410 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily grants and entitlements and taxes) of \$170,445 were not adequate to provide for these programs.
- The Township's major funds are the general fund, Gasoline Tax and Road and Bridge funds. The general fund, the Township's largest major fund, had cash receipts of \$146,375 and \$158,405 in 2005 and 2004, respectively. The cash disbursements of the general fund, totaled \$165,231 and \$166,524 in 2005 and 2004, respectively. The general fund's cash balance decreased \$18,856 from 2004 to 2005 and decreased \$8,119 from 2003 to 2004.
- The Gasoline Tax fund, a Township major fund, had cash receipts of \$80,610 and \$69,547 in 2005 and 2004, respectively. The Gasoline Tax fund had cash disbursements of \$89,359 and \$89,221 in 2005 and 2004, respectively. The Gasoline Tax fund cash balance decreased \$8,749 from 2004 to 2005 and decreased \$19,674 from 2003 to 2004.
- The Road and Bridge fund, a Township major fund, had cash receipts and other financing receipts of \$30,935 and \$30,919 in 2005 and 2004, respectively. The Road and Bridge fund had cash disbursements of \$26,994 and \$37,414 in 2005 and 2004, respectively. The Road and Bridge fund cash balance increased \$3,941 from 2004 to 2005 and decreased \$6,495 from 2003 to 2004.

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED

Using this Cash Basis Basic Financial Statements (BFS)

This cash basis annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Township's cash basis of accounting. The Statement of Net Assets - Cash Basis and Statement of Activities - Cash Basis provide information about the activities of the whole Township, presenting an aggregate view of the Township's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Township's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Township, there are three major governmental funds. The general fund is the largest major fund.

Reporting the Township as a Whole

Statement of Net Asset - Cash Basis and the Statement of Activities - Cash Basis

The Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis answer the question, "How did we do financially during 2005 and 2004?" These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the Township's net cash assets and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the Township as a whole, the cash basis financial position of the Township has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Township's property tax base, current property tax laws in Ohio, availability of federal and state funding, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis, the Governmental Activities include the Township's programs and services, including police and fire protection, road and bridge maintenance and repair, and ambulance services. The Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis can be found on pages 11-14 of this report.

Reporting the Township's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township are classified as governmental funds.

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED

Fund financial reports provide detailed information about the Township's major funds. The Township uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Township's most significant funds. The Township's major governmental funds are the general fund, Gasoline Tax fund and Road and Bridge fund. The analysis of the Township's major governmental funds begins on page 8.

Governmental Funds

All of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund statements provide a detailed view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various Township programs. Since the Township is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in net assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross receipts and disbursements on the fund financial statements to the statement of activities - cash basis due to transfers between governmental funds being eliminated for reporting in the statement of activities - cash basis. The governmental fund statements can be found on pages 15-24 of this report

The Township's budgetary process accounts for transactions on the budgetary basis of accounting. The difference between the budgetary basis of accounting and the cash basis of accounting is that encumbrances at year-end are recorded as a disbursement on the budgetary basis of accounting whereas on the cash basis, the disbursement is only recorded when cash is paid. The budgetary statements for the general fund, Gasoline Tax fund and Road and Bridge fund are presented to demonstrate the Township's compliance with annually adopted budgets. The budgetary statements can be found on pages 17-19 and 22-24 for the years ended December 31, 2005 and 2004, respectively.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-36 of this report.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets - Cash Basis provides the perspective of the Township as a whole. The table below provides a summary of the Township's net cash assets for 2005 and 2004. 2004 is the first year for cash basis government-wide financial statements; therefore, a comparison with prior years is not available.

| | Net Assets | |
|--|--------------------------------|-------------------|
| | <u>Governmental Activities</u> | |
| | <u>2005</u> | <u>2004</u> |
| <u>Assets</u> | | |
| Equity in pooled cash and cash equivalents | \$ 378,643 | \$ 395,205 |
| Total assets | <u>378,643</u> | <u>395,205</u> |
| <u>Net Cash Assets</u> | | |
| Restricted | 184,630 | 182,336 |
| Unrestricted | <u>194,013</u> | <u>212,869</u> |
| Total net cash assets | <u>\$ 378,643</u> | <u>\$ 395,205</u> |

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED

For fiscal year 2005, net cash assets of the Township decreased \$16,562 or 4.19%. For fiscal year 2004, net cash assets of the Township decreased \$42,808 or 9.77%. The balance of government-wide unrestricted net cash assets of \$194,013 at December 31, 2005 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash assets for fiscal year 2005 and 2004. 2004 is the first year for cash basis government-wide financial statements; therefore, a comparison with prior years is not available.

| | Change in Net Cash Assets | |
|--------------------------------------|---|---|
| | Governmental Activities <u>2005</u> | Governmental Activities <u>2004</u> |
| Cash Receipts: | | |
| Program cash receipts: | | |
| Charges for services and sales | \$ 21,596 | \$ 20,497 |
| Operating grants and contributions | <u>84,882</u> | <u>75,913</u> |
| Total program cash receipts | <u>106,478</u> | <u>96,410</u> |
| General cash receipts: | | |
| Property and other taxes | 62,468 | 61,549 |
| Unrestricted grants | 79,032 | 102,282 |
| Investment earnings | 12,481 | 5,580 |
| Other | <u>5,504</u> | <u>1,034</u> |
| Total general cash receipts | <u>159,485</u> | <u>170,445</u> |
| Total cash receipts | <u>265,963</u> | <u>266,855</u> |
| Cash Disbursements: | | |
| General government | 77,838 | 80,529 |
| Public safety | 78,000 | 69,996 |
| Public works | 118,612 | 151,128 |
| Health | <u>8,075</u> | <u>8,010</u> |
| Total cash disbursements | <u>282,525</u> | <u>309,663</u> |
| Change in net cash assets | (16,562) | (42,808) |
| Net cash assets at beginning of year | <u>395,205</u> | <u>438,013</u> |
| Net cash assets at end of year | <u>\$ 378,643</u> | <u>\$ 395,205</u> |

Governmental Activities

Governmental cash assets decreased by \$16,562 in 2005 from 2004 and decreased \$42,808 in 2004 from 2003.

General government represents activities related to the governing body as well as activities that directly support Township programs. In 2005, general government cash disbursements totaled \$77,838, or 27.55% of total governmental cash disbursements. In 2004, general government cash disbursements totaled \$80,529, or 26.01% of total governmental cash disbursements.

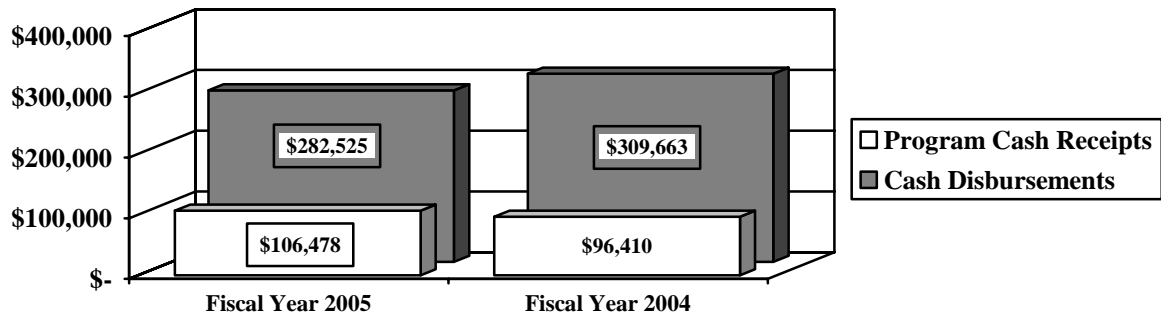
**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED

In 2005 and 2004, the public safety programs accounted for \$78,000 and \$69,996 of total governmental cash disbursements, respectively. These operations are primarily supported through operating grants and taxes.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2005 and 2004. That is, it identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

Governmental Activities - Program Cash Receipts vs. Total Cash Disbursements



Governmental Activities

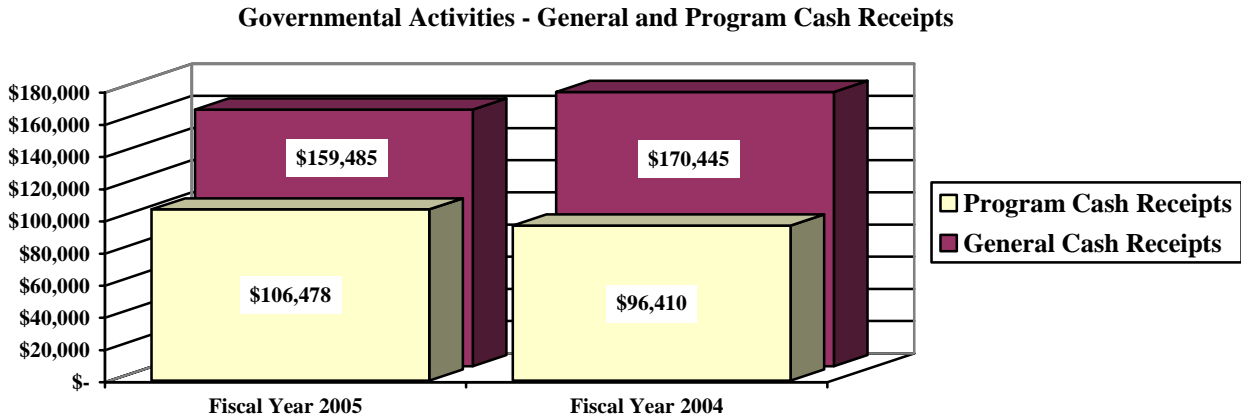
| | Total Cost of Services 2005 | Net Cost of Services 2005 | Total Cost of Services 2004 | Net Cost of Services 2004 |
|---------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Cash disbursements: | | | | |
| Current: | | | | |
| General government | \$ 77,838 | \$ 77,838 | \$ 80,529 | \$ 80,529 |
| Public safety | 78,000 | 78,000 | 69,996 | 69,996 |
| Public works | 118,612 | 33,730 | 151,128 | 75,215 |
| Health | 8,075 | (13,521) | 8,010 | (12,487) |
| Total | <u>\$ 282,525</u> | <u>\$ 176,047</u> | <u>\$ 309,663</u> | <u>\$ 213,253</u> |

The dependence upon general cash receipts for governmental activities is apparent; with 62.31% and 68.87% of cash disbursements supported through taxes and other general cash receipts during 2005 and 2004, respectively.

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED

The following graph depicts general and program cash receipts for 2005 and 2004.



Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The Township's governmental funds are accounted for using the cash basis of accounting.

At December 31, 2005, the Township's governmental funds reported a combined fund cash balance of \$378,643, which is \$16,652 below last year's total of \$395,295. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2005 and December 31, 2004, for all major and nonmajor governmental funds.

| | Fund Cash Balance <u>December 31, 2005</u> | Fund Cash Balance <u>December 31, 2004</u> | Increase <u>(Decrease)</u> |
|-----------------------------------|---|---|-------------------------------|
| Major Funds: | | | |
| General | \$ 194,013 | \$ 212,869 | \$ (18,856) |
| Gasoline Tax | 92,267 | 101,016 | (8,749) |
| Road and Bridge | 60,066 | 56,125 | 3,941 |
| Other Nonmajor Governmental Funds | <u>32,297</u> | <u>25,195</u> | <u>7,102</u> |
| Total | <u>\$ 378,643</u> | <u>\$ 395,205</u> | <u>\$ (16,562)</u> |

General Fund

The general fund, the Township's largest major fund, had cash receipts \$146,375 and \$158,405 in 2005 and 2004, respectively. The cash disbursements of the general fund totaled \$165,231 and \$166,524 in 2005 and 2004, respectively. The above amounts exclude other financing receipts and disbursements. The general fund's cash balance decreased \$18,856 from 2004 to 2005.

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED

The table that follows assists in illustrating the cash receipts of the general fund.

| | <u>2005</u> <u>Amount</u> | <u>2004</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|------------------------------|------------------------------|------------------------------|------------------------------------|
| <u>Cash Receipts:</u> | | | |
| Taxes | \$ 28,442 | \$ 27,919 | 1.87 % |
| Intergovernmental | 82,123 | 104,994 | (21.78) % |
| License, permits and fees | 21,596 | 20,497 | 5.36 % |
| Interest | 8,710 | 3,961 | 119.89 % |
| Miscellaneous | <u>5,504</u> | <u>1,034</u> | 432.30 % |
| Total | <u>\$ 146,375</u> | <u>\$ 158,405</u> | (7.59) % |

Intergovernmental cash receipts decreased due to declined state funding. All other revenue remained comparable to 2004.

The table that follows assists in illustrating the expenditures of the general fund.

| | <u>2005</u> <u>Amount</u> | <u>2004</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|----------------------------------|------------------------------|------------------------------|------------------------------------|
| <u>Cash Disbursements</u> | | | |
| General government | \$ 77,838 | \$ 80,529 | (3.34) % |
| Public safety | 78,000 | 69,996 | 11.43 % |
| Public works | 1,318 | 7,989 | (83.50) % |
| Health | <u>8,075</u> | <u>8,010</u> | 0.81 % |
| Total | <u>\$ 165,231</u> | <u>\$ 166,524</u> | (0.78) % |

Cash disbursements were comparable to 2004.

Gasoline Tax Fund

The Gasoline Tax fund, a Township major fund, had cash receipts of \$80,610 and \$69,547 in 2005 and 2004, respectively. Cash disbursements in this fund were \$89,359 and \$89,221 in 2005 and 2004, respectively. The Gasoline Tax fund cash balance decreased \$8,749 from 2004 to 2005.

Road and Bridge Fund

The Road and Bridge fund, a Township major fund, had cash receipts of \$30,935 and \$30,919 in 2005 and 2004, respectively. Cash disbursements in this fund were \$26,994 and \$37,414 in 2005 and 2004, respectively. The above amounts exclude other financing receipts and disbursements. The Road and Bridge fund cash balance increased \$3,941 from 2004 to 2005.

Budgeting Highlights - General Fund

The Township's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED

For 2005, original and final budget basis receipts for the general fund were \$118,946. Actual cash receipts and other financing receipts of \$146,375 were more than budget estimates by \$27,429. The original and final budgetary basis disbursements and other financing disbursements were \$289,850. The actual budgetary basis disbursements and other financing disbursements of \$165,231 were \$124,619 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The Township does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The Township had no capital outlay disbursements during fiscal year 2005 and 2004, respectively.

Debt Administration

The Township did not have any debt outstanding at December 31, 2005 or 2004.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and Local Government Funds and have very little industry to support the tax base - increases are unlikely. The government continues to operate in an efficient manner as possible while meeting the needs of the residents.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Mikel Brown, Fiscal Officer, Washington Township, P.O. Box 232, Piqua, Ohio 45356.

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**CASH BASIS
FINANCIAL STATEMENTS**

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 378,643 |
| Total assets. | 378,643 |
| Net cash assets: | |
| Restricted for: | |
| Other purposes | 184,630 |
| Unrestricted | 194,013 |
| Total net cash assets | \$ 378,643 |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | Program Cash Receipts | | | Net (Cash Disbursements) Cash Receipts and Changes in Net Assets |
|---|-------------------------------|---------------------------------|--|---|
| | Cash Disbursements | Charges for Services | Operating and Contributions | Governmental Activities |
| Governmental activities: | | | | |
| Current: | | | | |
| General government | \$ 77,838 | \$ - | \$ - | \$ (77,838) |
| Public safety | 78,000 | - | - | (78,000) |
| Public works | 118,612 | - | 84,882 | (33,730) |
| Health | 8,075 | 21,596 | - | 13,521 |
| Total governmental activities | \$ 282,525 | \$ 21,596 | \$ 84,882 | (176,047) |

General Cash Receipts:

| | |
|--|-------------------|
| Property and other taxes levied for: | |
| General purposes | 31,533 |
| Road and bridge improvements | 30,935 |
| Grants and entitlements not restricted to specific programs. | 79,032 |
| Investment receipts | 12,481 |
| Miscellaneous | 5,504 |
| Total general cash receipts. | 159,485 |
| Change in net cash assets | (16,562) |
| Net cash assets at beginning of year. | 395,205 |
| Net cash assets at end of year | \$ 378,643 |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2004

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 395,205 |
| Total assets. | 395,205 |
| Net cash assets: | |
| Restricted for: | |
| Other purposes | 182,336 |
| Unrestricted | 212,869 |
| Total net cash assets | \$ 395,205 |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

| | Program Cash Receipts | | | Net (Cash Disbursements) Cash Receipts and Changes in Net Assets |
|--|-------------------------------|---------------------------------|--|---|
| | Cash Disbursements | Charges for Services | Operating and Contributions | Governmental Activities |
| Governmental activities: | | | | |
| Current: | | | | |
| General government | \$ 80,529 | \$ - | \$ - | \$ (80,529) |
| Public safety | 69,996 | - | - | (69,996) |
| Public works | 151,128 | - | 75,913 | (75,215) |
| Health | 8,010 | 20,497 | - | 12,487 |
| Total governmental activities | \$ 309,663 | \$ 20,497 | \$ 75,913 | (213,253) |
| General Cash Receipts: | | | | |
| Property and other taxes levied for: | | | | |
| General purposes | | | | 30,630 |
| Road and bridge improvements | | | | 30,919 |
| Grants and entitlements not restricted to specific programs. | | | | 102,282 |
| Investment receipts | | | | 5,580 |
| Miscellaneous | | | | 1,034 |
| Total general cash receipts. | | | | 170,445 |
| Change in net cash assets | | | | (42,808) |
| Net cash assets at beginning of year. | | | | 438,013 |
| Net cash assets at end of year | | | | \$ 395,205 |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

| | <u>General</u> | <u>Gasoline Tax</u> | <u>Road and Bridge</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------|-------------------------|----------------------------|---|---|
| Assets: | | | | | |
| Equity in pooled cash and cash equivalents | \$ 194,013 | \$ 92,267 | \$ 60,066 | \$ 32,297 | \$ 378,643 |
| Total assets | <u>\$ 194,013</u> | <u>\$ 92,267</u> | <u>\$ 60,066</u> | <u>\$ 32,297</u> | <u>\$ 378,643</u> |
| Fund cash balances: | | | | | |
| Unreserved, undesignated, reported in: | | | | | |
| General fund. | \$ 194,013 | \$ - | \$ - | \$ - | \$ 194,013 |
| Special revenue funds | - | 92,267 | 60,066 | 32,297 | 184,630 |
| Total fund cash balances | <u>\$ 194,013</u> | <u>\$ 92,267</u> | <u>\$ 60,066</u> | <u>\$ 32,297</u> | <u>\$ 378,643</u> |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | General | Gasoline Tax | Road and Bridge | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|-------------------------|----------------------------|---|---|
| Cash receipts: | | | | | |
| Taxes | \$ 28,442 | \$ - | \$ 27,904 | \$ - | \$ 56,346 |
| Intergovernmental | 82,123 | 77,233 | 3,031 | 7,649 | 170,036 |
| License, permits and fees | 21,596 | - | - | - | 21,596 |
| Interest | 8,710 | 3,377 | - | 394 | 12,481 |
| Miscellaneous | 5,504 | - | - | - | 5,504 |
| Total cash receipts | <u>146,375</u> | <u>80,610</u> | <u>30,935</u> | <u>8,043</u> | <u>265,963</u> |
| Cash disbursements: | | | | | |
| Current: | | | | | |
| General government | 77,838 | - | - | - | 77,838 |
| Public safety | 78,000 | - | - | - | 78,000 |
| Public works | 1,318 | 89,359 | 26,994 | 941 | 118,612 |
| Health | 8,075 | - | - | - | 8,075 |
| Total cash disbursements | <u>165,231</u> | <u>89,359</u> | <u>26,994</u> | <u>941</u> | <u>282,525</u> |
| Excess (deficiency) of cash receipts over (under) cash disbursements | (18,856) | (8,749) | 3,941 | 7,102 | (16,562) |
| Fund cash balances | | | | | |
| at beginning of year | <u>212,869</u> | <u>101,016</u> | <u>56,125</u> | <u>25,195</u> | <u>395,205</u> |
| Fund cash balances at end of year | <u>\$ 194,013</u> | <u>\$ 92,267</u> | <u>\$ 60,066</u> | <u>\$ 32,297</u> | <u>\$ 378,643</u> |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-------------------------|--------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Budgetary basis receipts: | | | | |
| Taxes | \$ 28,570 | \$ 28,570 | \$ 28,442 | \$ (128) |
| Intergovernmental | 68,470 | 68,470 | 82,123 | 13,653 |
| License, permits and fees | 19,969 | 19,969 | 21,596 | 1,627 |
| Interest | 1,541 | 1,541 | 8,710 | 7,169 |
| Miscellaneous | 396 | 396 | 5,504 | 5,108 |
| Total budgetary basis receipts | <u>118,946</u> | <u>118,946</u> | <u>146,375</u> | <u>27,429</u> |
| Budgetary basis disbursements: | | | | |
| Current: | | | | |
| General government | 103,250 | 103,250 | 77,838 | 25,412 |
| Public safety | 78,000 | 78,000 | 78,000 | - |
| Public works | 83,100 | 83,100 | 1,318 | 81,782 |
| Health | 9,500 | 9,500 | 8,075 | 1,425 |
| Capital outlay | 6,000 | 6,000 | - | 6,000 |
| Total budgetary basis disbursements | <u>279,850</u> | <u>279,850</u> | <u>165,231</u> | <u>114,619</u> |
| Excess of budgetary basis receipts over (under) budgetary basis disbursements | <u>(160,904)</u> | <u>(160,904)</u> | <u>(18,856)</u> | <u>142,048</u> |
| Other financing receipts (disbursements): | | | | |
| Other financing uses | <u>(10,000)</u> | <u>(10,000)</u> | - | 10,000 |
| Total other financing receipts (disbursements) | <u>(10,000)</u> | <u>(10,000)</u> | - | 10,000 |
| Net change in fund cash balance | (170,904) | (170,904) | (18,856) | 152,048 |
| Fund cash balance at beginning of year | <u>212,869</u> | <u>212,869</u> | <u>212,869</u> | <u>-</u> |
| Fund cash balance at end of year | <u><u>\$ 41,965</u></u> | <u><u>\$ 41,965</u></u> | <u><u>\$ 194,013</u></u> | <u><u>\$ 152,048</u></u> |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Budgetary basis receipts: | | | | |
| Intergovernmental | \$ 53,800 | \$ 53,800 | \$ 77,233 | \$ 23,433 |
| Interest | 690 | 690 | 3,377 | 2,687 |
| Miscellaneous | 21 | 21 | - | (21) |
| Total budgetary basis receipts | <u>54,511</u> | <u>54,511</u> | <u>80,610</u> | <u>26,099</u> |
| Budgetary basis disbursements: | | | | |
| Current: | | | | |
| Public works | 113,000 | 113,000 | 89,359 | 23,641 |
| Capital outlay | 5,000 | 5,000 | - | 5,000 |
| Total budgetary basis disbursements. | <u>118,000</u> | <u>118,000</u> | <u>89,359</u> | <u>28,641</u> |
| Net change in fund cash balance | (63,489) | (63,489) | (8,749) | 54,740 |
| Fund cash balance at beginning of year | <u>101,016</u> | <u>101,016</u> | <u>101,016</u> | <u>-</u> |
| Fund cash balance at end of year. | <u>\$ 37,527</u> | <u>\$ 37,527</u> | <u>\$ 92,267</u> | <u>\$ 54,740</u> |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------------|------------------|------------------|---|
| | Original | Final | | |
| Budgetary basis receipts: | | | | |
| Taxes | \$ 27,683 | \$ 27,683 | \$ 27,904 | \$ 221 |
| Intergovernmental | 3,546 | 3,546 | 3,031 | (515) |
| Total budgetary basis receipts | 31,229 | 31,229 | 30,935 | (294) |
| Budgetary basis disbursements: | | | | |
| Current: | | | | |
| Public works | 50,750 | 50,750 | 26,994 | 23,756 |
| Capital outlay | 250 | 250 | - | 250 |
| Total budgetary basis disbursements. | 51,000 | 51,000 | 26,994 | 24,006 |
| Excess of budgetary basis receipts over (under) budgetary basis disbursements | (19,771) | (19,771) | 3,941 | 23,712 |
| Fund cash balance at beginning of year | 56,125 | 56,125 | 56,125 | - |
| Fund cash balance at end of year. | \$ 36,354 | \$ 36,354 | \$ 60,066 | \$ 23,712 |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

| | <u>General</u> | <u>Gasoline Tax</u> | <u>Road and Bridge</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------|-------------------------|----------------------------|---|---|
| Assets: | | | | | |
| Equity in pooled cash and cash equivalents | \$ 212,869 | \$ 101,016 | \$ 56,125 | \$ 25,195 | \$ 395,205 |
| Total assets | <u>\$ 212,869</u> | <u>\$ 101,016</u> | <u>\$ 56,125</u> | <u>\$ 25,195</u> | <u>\$ 395,205</u> |
| Fund cash balances: | | | | | |
| Unreserved, undesignated, reported in: | | | | | |
| General fund | \$ 212,869 | \$ - | \$ - | \$ - | \$ 212,869 |
| Special revenue funds | - | 101,016 | 56,125 | 25,195 | 182,336 |
| Total fund cash balances | <u>\$ 212,869</u> | <u>\$ 101,016</u> | <u>\$ 56,125</u> | <u>\$ 25,195</u> | <u>\$ 395,205</u> |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

| | <u>General</u> | <u>Gasoline Tax</u> | <u>Road and Bridge</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------|-------------------------|----------------------------|---|---|
| Cash receipts: | | | | | |
| Taxes | \$ 27,919 | \$ - | \$ 27,826 | \$ - | \$ 55,745 |
| Intergovernmental | 104,994 | 68,092 | 3,093 | 7,820 | 183,999 |
| License, permits and fees | 20,497 | - | - | - | 20,497 |
| Interest | 3,961 | 1,455 | - | 164 | 5,580 |
| Miscellaneous | 1,034 | - | - | - | 1,034 |
| Total cash receipts | <u>158,405</u> | <u>69,547</u> | <u>30,919</u> | <u>7,984</u> | <u>266,855</u> |
| Cash disbursements: | | | | | |
| Current: | | | | | |
| General government | 80,529 | - | - | - | 80,529 |
| Public safety | 69,996 | - | - | - | 69,996 |
| Public works | 7,989 | 89,221 | 37,414 | 16,504 | 151,128 |
| Health | 8,010 | - | - | - | 8,010 |
| Total cash disbursements | <u>166,524</u> | <u>89,221</u> | <u>37,414</u> | <u>16,504</u> | <u>309,663</u> |
| Excess (deficiency) of cash receipts over (under) cash disbursements | (8,119) | (19,674) | (6,495) | (8,520) | (42,808) |
| Fund cash balances | | | | | |
| at beginning of year | <u>220,988</u> | <u>120,690</u> | <u>62,620</u> | <u>33,715</u> | <u>438,013</u> |
| Fund cash balances at end of year | <u>\$ 212,869</u> | <u>\$ 101,016</u> | <u>\$ 56,125</u> | <u>\$ 25,195</u> | <u>\$ 395,205</u> |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|-------------------------|--------------|---------------|---|
| | Original | Final | | (Negative) |
| Budgetary basis receipts: | | | | |
| Taxes | \$ 27,881 | \$ 27,881 | \$ 27,919 | \$ 38 |
| Intergovernmental | 68,514 | 68,514 | 104,994 | 36,480 |
| License, permits and fees | 24,311 | 24,311 | 20,497 | (3,814) |
| Interest | 2,701 | 2,701 | 3,961 | 1,260 |
| Miscellaneous | 783 | 783 | 1,034 | 251 |
| Total budgetary basis receipts | 124,190 | 124,190 | 158,405 | 34,215 |
| Budgetary basis disbursements: | | | | |
| Current: | | | | |
| General government | 99,000 | 99,000 | 80,529 | 18,471 |
| Public safety | 75,000 | 75,000 | 69,996 | 5,004 |
| Public works | 83,100 | 83,100 | 7,989 | 75,111 |
| Health | 9,000 | 9,000 | 8,010 | 990 |
| Capital outlay | 10,000 | 10,000 | - | 10,000 |
| Total budgetary basis disbursements. | 276,100 | 276,100 | 166,524 | 109,576 |
| Excess of budgetary basis receipts over (under) budgetary basis disbursements. | (151,910) | (151,910) | (8,119) | 143,791 |
| Other financing receipts (disbursements): | | | | |
| Other financing uses | (16,000) | (16,000) | - | 16,000 |
| Total other financing receipts (disbursements) | (16,000) | (16,000) | - | 16,000 |
| Net change in fund cash balance | (167,910) | (167,910) | (8,119) | 159,791 |
| Fund cash balance at beginning of year | 220,988 | 220,988 | 220,988 | - |
| Fund cash balance at end of year. | \$ 53,078 | \$ 53,078 | \$ 212,869 | \$ 159,791 |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Budgetary basis receipts: | | | | |
| Intergovernmental | \$ 52,233 | \$ 52,233 | \$ 68,092 | \$ 15,859 |
| Interest | 1,046 | 1,046 | 1,455 | 409 |
| Miscellaneous | 20 | 20 | - | (20) |
| Total budgetary basis receipts | <u>53,299</u> | <u>53,299</u> | <u>69,547</u> | <u>16,248</u> |
| Budgetary basis disbursements: | | | | |
| Current: | | | | |
| Public works | 148,000 | 148,000 | 89,221 | 58,779 |
| Capital outlay | <u>10,000</u> | <u>10,000</u> | - | <u>10,000</u> |
| Total budgetary basis disbursements. | <u>158,000</u> | <u>158,000</u> | <u>89,221</u> | <u>68,779</u> |
| Net change in fund cash balance | (104,701) | (104,701) | (19,674) | 85,027 |
| Fund cash balance at beginning of year | 100,690 | 100,690 | 100,690 | - |
| Prior year encumbrances appropriated | <u>20,000</u> | <u>20,000</u> | <u>20,000</u> | <u>-</u> |
| Fund cash balance at end of year. | <u>\$ 15,989</u> | <u>\$ 15,989</u> | <u>\$ 101,016</u> | <u>\$ 85,027</u> |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Budgetary basis receipts: | | | | |
| Taxes | \$ 27,034 | \$ 27,034 | \$ 27,826 | \$ 792 |
| Intergovernmental | 3,386 | 3,386 | 3,093 | (293) |
| Total budgetary basis receipts | <u>30,420</u> | <u>30,420</u> | <u>30,919</u> | <u>499</u> |
| Budgetary basis disbursements: | | | | |
| Current: | | | | |
| Public works | 48,750 | 48,750 | 37,414 | 11,336 |
| Capital outlay | <u>4,000</u> | <u>4,000</u> | - | 4,000 |
| Total budgetary basis disbursements. | <u>52,750</u> | <u>52,750</u> | <u>37,414</u> | <u>15,336</u> |
| Excess of budgetary basis receipts over (under) budgetary basis disbursements. | (22,330) | (22,330) | (6,495) | 15,835 |
| Fund cash balance at beginning of year | <u>62,620</u> | <u>62,620</u> | <u>62,620</u> | <u>-</u> |
| Fund cash balance at end of year. | <u>\$ 40,290</u> | <u>\$ 40,290</u> | <u>\$ 56,125</u> | <u>\$ 15,835</u> |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 1 - DESCRIPTION OF THE ENTITY

The Washington Township, Miami County, Ohio (the "Township") is a body politic and corporate established in 1807 for the purpose of exercising 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: police and fire protection, road and bridge maintenance, cemetery maintenance, and emergency medical services as well as general governmental services. The Township contracts with the City of Piqua, Covington Special Fire District and the Lockington Volunteer Fire Department for fire protection. The Township contracts with the City of Piqua to provide emergency ambulance services. Police protection is provided by the Miami County Sheriffs' Department.

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

As discussed further in Note 2.C, these financial statements are presented on the cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In cases where these cash basis statements contain items that are the same as, or similar to, those items in the financial statements prepared in conformity with GAAP, similar informative disclosures are provided. Following are the more significant of the Township's accounting policies:

A. Basis of Presentation

For the years ended 2005 and 2004, the Township has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for the State and Local Governments" format.

The Township's financial statements consist of government-wide financial statements, including a statement of net assets – cash basis and a statement of activities – cash basis, and a fund financial statement which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net assets – cash basis and the statement of activities – cash basis display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets – cash basis presents the cash balance of the governmental activities of the Township at year-end. The statement of activities – cash basis compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Township's general receipts.

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

Fund Financial Statements - During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into three categories, governmental, proprietary and fiduciary. The Township has no proprietary or fiduciary funds.

Governmental Funds - The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the Township's major governmental funds:

General Fund - This fund is used to account for all financial resources of the Township except those required to be accounted for 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.

Gasoline Tax - This fund accounts for gasoline tax receipts and their use as they pertain to the Township's roads.

Road and Bridge - This fund accounts for property tax receipts and their use as they pertain to the Township's roads.

Other governmental funds of the Township are used to account for taxes and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary funds are used to account for the Township's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The Township has no proprietary funds.

Fiduciary Funds - Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township does not maintain any private-purpose trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township does not have any fiduciary funds.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements at the level of control selected by the Township. The legal level of control has been established at the item level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Cash Equivalents

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005 and 2004, the Township invested in State Treasury Asset Reserve (STAR Ohio). STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005 and December 31, 2004.

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the general fund during 2005 was \$8,710 which includes \$5,985 assigned from other Township funds. Interest receipts credited to the general fund during 2004 was \$3,961 which includes \$1,055 assigned from other Township funds.

F. Restrictd Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township did not have any restricted assets at December 31, 2005 or 2004.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. There were no advances-in or advances-out for the years ended December 31, 2005 and 2004.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid. The Township had no long-term obligations at December 31, 2005 and 2004.

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for public safety, public works, health and human services, street maintenance and construction, and capital projects.

The Township first applies restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances. There were no outstanding encumbrances at December 31, 2005 and 2004.

O. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing receipt (disbursement) in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Township had neither extraordinary nor special items during the fiscal 2005 or 2004.

NOTE 3 - ACCOUNTABILITY & COMPLIANCE

For fiscal year 2005, the Township has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the Township.

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Township into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Township has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Township by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Fiscal Officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At December 31, 2005, the carrying amount of all Township deposits was \$146,761. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005, \$57,104 of the Township's bank balance of \$157,104 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

At December 31, 2004, the carrying amount of all Township deposits was \$140,500. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005, \$42,549 of the Township's bank balance of \$142,549 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Township's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Township.

B. Investments

As of December 31, 2005, the Township had the following investments and maturities:

| <u>Investment type</u> | <u>Fair Value</u> | <u>Investment Maturity</u> 6 months or less |
|------------------------|-------------------|---|
| STAR Ohio | \$ 231,882 | \$ 231,882 |

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

As of December 31, 2004, the Township had the following investments and maturities:

| <u>Investment type</u> | <u>Fair Value</u> | <u>Investment Maturity</u> |
|------------------------|-------------------|----------------------------|
| | | 6 months or less |
| STAR Ohio | <u>\$ 254,705</u> | <u>\$ 254,705</u> |

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Township's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Concentration of Credit Risk: The Township places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Township at December 31, 2005 and 2004:

| <u>Investment type</u> | <u>December 31, 2005</u> | | <u>December 31, 2004</u> | |
|------------------------|--------------------------|-------------------|--------------------------|-------------------|
| | <u>Fair Value</u> | <u>% of Total</u> | <u>Fair Value</u> | <u>% of Total</u> |
| STAR Ohio | <u>\$ 231,882</u> | <u>100.00%</u> | <u>\$ 254,705</u> | <u>100.00%</u> |

C. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2005 and 2004:

| | | |
|---|------------------------------|------------------------------|
| <u>Cash and Investments per footnote</u> | <u>December 31, 2005</u> | <u>December 31, 2004</u> |
| Carrying amount of deposits | \$ 146,761 | \$ 140,500 |
| Investments | <u>231,882</u> | <u>254,705</u> |
| Total | <u>\$ 378,643</u> | <u>\$ 395,205</u> |
| <u>Cash and Investments per Statement of Net Assets</u> | <u>December 31, 2005</u> | <u>December 31, 2004</u> |
| Governmental activities | \$ 378,643 | \$ 395,205 |
| Total | <u>\$ 378,643</u> | <u>\$ 395,205</u> |

NOTE 5 - PROPERTY TAX

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. 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. Under certain circumstances, State statute permits alternate payment dates to be established.

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 5 - PROPERTY TAX - (Continued)

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values of real and tangible personal property upon which 2005 and 2004 property tax receipts were based are as follows:

| | 2005 | 2004 |
|---|-------------------|-------------------|
| Real property tax | \$ 34,774,550 | \$ 33,150,200 |
| Public utility tangible personal property | 1,112,180 | 1,164,440 |
| Tangible personal property | 3,149,720 | 3,710,050 |
| Total assessed valuation | \$ 39,036,450 | \$ 38,024,690 |

NOTE 6 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to established and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The Township's contribution rate for pension benefits for 2005 was 9.55%, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 12.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's contributions to OPERS for the years ended December 31, 2005, 2004, and 2003 were \$5,514, \$5,374, and \$5,234, respectively; these contributions were sufficient to fulfill the requirements.

NOTE 7 - POSTRETIREMENT BENEFIT PLANS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$82,307. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 7 - POSTRETIREMENT BENEFIT PLANS - (Continued)

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2004, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 8 - RISK MANAGEMENT

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.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

**WASHINGTON TOWNSHIP
MIAMI COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 8 - RISK MANAGEMENT - (Continued)

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 township.

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:

| | | |
|------------------------------|----------------------|----------------------|
| <u>Casualty Coverage</u> | <u>2004</u> | <u>2003</u> |
| Assets | \$ 30,687,203 | \$ 27,792,223 |
| Liabilities | <u>(13,640,962)</u> | <u>(11,791,300)</u> |
| Retained earnings | <u>\$ 17,046,241</u> | <u>\$ 16,000,923</u> |
| <u>Property Coverage</u> | <u>2004</u> | <u>2003</u> |
| Assets | \$ 7,799,073 | \$ 6,791,060 |
| Liabilities | <u>(753,906)</u> | <u>(750,956)</u> |
| Retained earnings | <u>\$ 7,045,167</u> | <u>\$ 6,040,104</u> |

NOTE 9 - CONTINGENCIES

LITIGATION

The Township is currently not involved in litigation.

NOTE 10 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Budget and Actual (Budgetary Basis) presented for the general fund, Gasoline Tax fund, and Road and Bridge fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The Township's December 31, 2003 outstanding encumbrances have been restated from \$2,000 to \$0 in the General Fund. At December 31, 2005 and 2004, the Township had no outstanding encumbrances.



Julian & Grube, Inc.

Serving Ohio Local Governments

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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*

Board of Trustees
Washington Township, Miami County, Ohio
P.O. Box 232
Piqua, OH 45356

We have audited the financial statements of the government activities, each major fund, and the aggregate remaining fund information of Washington Township, Miami County, Ohio, (the "Township") as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Township's financial statements and have issued our report thereon dated April 13, 2006 wherein we noted the Township prepared its financial statements on the cash basis, a comprehensive basis of accounting other 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

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

Julian & Grube, Inc.
April 13, 2006



**Auditor of State
Betty Montgomery**

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WASHINGTON TOWNSHIP

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 06, 2006**