



Mary Taylor, CPA
Auditor of State

**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government – Wide Financial Statements:	
Statement of Net Assets – Cash Basis For the Year Ended December 31, 2006	11
Statement of Activities – Cash Basis For the Year Ended December 31, 2006.....	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds For the Year Ended December 31, 2006.....	13
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2006.....	14
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis – General Fund For the Year Ended December 31, 2006.....	16
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis – Motor Vehicle License Tax Fund For the Year Ended December 31, 2006.....	17
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis – Gasoline Tax Fund For the Year Ended December 31, 2006.....	18
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis – Road and Bridge Fund For the Year Ended December 31, 2006.....	19
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis – Permissive Sales Tax Fund For the Year Ended December 31, 2006.....	20
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis – Miscellaneous Special Revenue Fund For the Year Ended December 31, 2006.....	21
Government – Wide Financial Statements:	
Statement of Net Assets – Cash Basis For the Year Ended December 31, 2005.....	22
Statement of Activities – Cash Basis For the Year Ended December 31, 2005.....	23

**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds For the Year Ended December 31, 2005.....	24
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2005.....	25
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis – General Fund For the Year Ended December 31, 2005.....	26
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis – Motor Vehicle License Tax Fund For the Year Ended December 31, 2005.....	27
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis – Gasoline Tax Fund For the Year Ended December 31, 2005.....	28
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis – Permissive Sales Tax Fund For the Year Ended December 31, 2005.....	29
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis – Miscellaneous Special Revenue Fund For the Year Ended December 31, 2005.....	30
Notes to the Financial Statements	31
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	43
Schedule of Findings	45
Schedule of Prior Audit Findings	47



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Watertown Township
Washington County
16930 State Route 339
Waterford, Ohio 45786

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Watertown Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As 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 Watertown Township, Washington County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, Permissive Sales Tax and Miscellaneous Special Revenue Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2006 and 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2007, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

July 26, 2007

Watertown Township
Washington County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

This discussion and analysis of Watertown Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006 and 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2006 are as follows:

Net assets of governmental activities decreased \$20,430, or 16 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the Miscellaneous Special Revenue Fund. In 2006, the Township spent their FEMA Funds by reimbursing the other funds that made the original expenditure of money.

The Township's receipts are primarily property tax and intergovernmental revenues. These receipts represent respectively \$244,606 and 81 percent of the total cash received for governmental activities during the year. Intergovernmental receipts for 2006 decreased from 2005 as the Township did not receive any FEMA Funds in 2006.

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$1,751, or 1 percent. This is an insignificant increase in the governmental activities.

The Township's receipts are primarily property tax and intergovernmental revenues. These receipts represent respectively \$252,018 and 94 percent of the total cash received for governmental activities during the year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Watertown Township
Washington County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006 and 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Township reports only one type of activity:

Governmental activities. Most of the Township's basic services are reported here. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are governmental.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not

Watertown Township
Washington County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund, Permissive Sales Tax Fund and Miscellaneous Special Revenue Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Government as a Whole

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 and 2004 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		
	2006	2005	2004
Assets			
Cash and Cash Equivalents	\$107,737	\$128,167	\$126,416
Total Assets	\$107,737	\$128,167	\$126,416
Net Assets			
Restricted for:			
Other Purposes	79,296	98,098	90,826
Unrestricted	28,441	30,069	35,590
Total Net Assets	\$107,737	\$128,167	\$126,416

As mentioned previously, net assets of governmental activities decreased \$20,430 or 16 percent during 2006. The primary reasons contributing to the decrease was that Health Insurance for the Township employee increased along with wages for elected officials and the employee. Also, the township finished all of it FEMA projects from the 2004 and 2005 flooding which the township had to match 12.5% of the funds. Also, a John Deere tractor and mower was purchased, and therefore there was an annual loan payment. There was also an increase in repairs and maintenance to equipment.

Net assets of governmental activities increased \$1,751, or 1 percent during 2005. This is an insignificant increase in the governmental activities.

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2005 for governmental activities.

Watertown Township
Washington County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2006	2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$200	\$200
Operating Grants and Contributions	144,921	155,015
Total Program Receipts	<u>145,121</u>	<u>155,215</u>
General Receipts:		
Property Taxes	55,670	55,583
Grants and Entitlements Not Restricted to Specific Programs	44,015	41,420
Sale of Bonds	47,800	
Interest	334	509
Miscellaneous	9,561	13,969
Total General Receipts	<u>157,380</u>	<u>111,481</u>
Total Receipts	<u>302,501</u>	<u>266,696</u>
Disbursements:		
General Government	85,126	107,578
Public Safety	14,980	10,149
Public Works	153,777	134,592
Health	6,000	6,215
Conservation-Recreation	1,300	1,204
Capital Outlay	47,684	
Debt Service:		
Principal Retirement	11,500	4,400
Interest and Fiscal Charges	2,564	807
Total Disbursements	<u>322,931</u>	<u>264,945</u>
Increase (Decrease) in Net Assets	(20,430)	1,751
Net Assets, January 1	<u>128,167</u>	<u>126,416</u>
Net Assets, December 31	<u>\$107,737</u>	<u>\$128,167</u>

In 2006, program receipts represent only 48 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gas tax money, road and bridge money and one percent permissive sales tax money.

In 2005, program receipts represent only 58 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gas tax money, road and bridge money and one percent permissive sales tax money.

In 2006, general receipts represent 52 percent of the Township's total receipts, and of this amount, 35 percent are property tax receipts. Grants and entitlements and other debt proceeds make up the remaining of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

In 2005, general receipts represent 42 percent of the Township's total receipts, and of this amount, 50 percent are property tax receipts. Grants and entitlements make up the balance of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Watertown Township
Washington County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Government activities. These include, but aren't limited to, the costs of trustee and clerk salaries, medical costs, insurances, retirement, and utilities. Public Safety is the cost of fire protection; Public Works is the general maintenance as well as repair of roads; Health is the cost for health services; Conservation-Recreation is the cost for maintaining the parks and playing fields, Capital Outlay is the cost of equipment purchased by the Township and Debt Service is the payment of the debt of the Township.

Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented for 2005-2004.

Governmental Activities

If you look at the Statement of Activities on pages 12 and 23, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for General Government, Public Works and Capital Outlay, which account for 26 percent, 48 percent and 15 percent of all governmental disbursements, respectively for 2006. The major program disbursements for governmental activities are for General Government and Public Works, which account for 41 and 51 percent of all governmental disbursements, respectively for 2005. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net (Disbursement) Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$85,126	\$85,126	\$107,578	\$107,578
Public Safety	14,980	14,780	10,149	9,949
Public Works	153,777	8,856	134,592	(20,423)
Health	6,000	6,000	6,215	6,215
Conservation-Recreation	1,300	1,300	1,204	1,204
Capital Outlay	47,684	47,684	0	0
Principal Retirement	11,500	11,500	4,400	4,400
Interest and Fiscal Charges	2,564	2,564	807	807
Total Expenses	\$322,931	\$177,810	\$264,945	\$109,730

The dependence upon property tax and grants and entitlement receipts is apparent as over 55 percent of governmental activities are supported through these general receipts in 2006.

The dependence upon property tax and grants and entitlement receipts is apparent as over 41 percent of governmental activities are supported through these general receipts in 2005.

Watertown Township
Washington County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

The Government's Funds

For 2006 total governmental funds had receipts of \$302,501 and disbursements of \$322,931. The greatest change within governmental funds occurred within the Miscellaneous Special Revenue Fund. A lot of FEMA work was done in 2005 that was not done in 2006. Some of the work was done by the Township so therefore, some of the money was reimbursed back into various road funds like the Road and Bridge Fund and Motor Vehicle License Tax Fund. We also had to make our match of 12.5% to each project.

For 2005 total governmental funds had receipts of \$266,696 and disbursements of \$264,945 resulting in no significant changes.

Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

During 2006, the Township amended its budget to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts in the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund and Permissive Sales Tax Fund. The difference between final budgeted receipts and actual receipts was not significant.

During 2006 final disbursements were budgeted at \$102,521 for the General Fund, \$33,326 for the Motor Vehicle License Tax Fund, \$154,978 for the Gasoline Tax Fund, \$23,589 for the Road and Bridge Fund, \$40,635 for the Permissive Sales Tax Fund and \$47,604 for the Miscellaneous Special Revenue Fund, while actual disbursements were \$82,837 in the General Fund, \$16,658 in the Motor Vehicle License Tax Fund, \$133,618 in the Gasoline Tax Fund, \$11,825 in the Road and Bridge Fund, \$29,214 in the Permissive Sales Tax Fund and \$41,925 in the Miscellaneous Special Revenue Fund.

During 2005, the Township amended its budget to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts in the General Fund, Motor Vehicle License Tax Fund, and Gasoline Tax Fund. The difference between final budgeted receipts and actual receipts was not significant.

During 2005 final disbursements were budgeted at \$111,305 in the General Fund, \$25,381 in the Motor Vehicle License Tax Fund, \$89,331 in the Gasoline Tax Fund, \$40,110 in the Permissive Sales Tax Fund and \$50,028 in the Miscellaneous Special Revenue Fund., while actual disbursements were \$89,467 in the General Fund, \$15,182 in the Motor Vehicle License Tax Fund, \$79,192 in the Gasoline Tax Fund, \$40,110 in the Permissive Sales Tax Fund and \$2,424 in the Miscellaneous Special Revenue Fund.

Debt Administration

At December 31, 2006, the Township's outstanding debt included \$4,900 in Roadway Equipment Bonds, Series 2004 and \$41,000 in Roadway Equipment Bonds, Series 2006. For further information regarding the Township's debt, refer to Note 11 to the basic financial statements.

Watertown Township
Washington County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

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 have very little industry to support the tax base. Our newly prepared financial forecast predicts a deficit for 2007, therefore, the finance committee and the administration implemented a strategy to delay the deficit. The plan became effective 2006. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Township, and since all FEMA projects were completed this year we feel that we will have a better chance of staying within our budget guidelines.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Annette Schott, Fiscal Officer, Watertown Township, 16930 State Route 339, Waterford, Ohio 45786.

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**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 107,737
<i>Total Assets</i>	<u>\$ 107,737</u>
Net Assets:	
Restricted for:	
Other Purposes	\$ 79,296
Unrestricted	28,441
<i>Total Net Assets</i>	<u>\$ 107,737</u>

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

WATERTOWN TOWNSHIP
WASHINGTON COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	General	Motor Vehicle License Tax	Gasoline Tax	Road and Bridge	Misc Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets:							
Equity in Pooled Cash and Cash Equivalents	\$ 28,441	\$ 13,961	\$ 36,668	\$ 20,707	\$ 5,679	\$ 2,281	\$ 107,737
<i>Total Assets</i>	<u>\$ 28,441</u>	<u>\$ 13,961</u>	<u>\$ 36,668</u>	<u>\$ 20,707</u>	<u>\$ 5,679</u>	<u>\$ 2,281</u>	<u>\$ 107,737</u>
Fund Balances:							
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	\$ 28,441						\$ 28,441
Special Revenue Funds		\$ 13,961	\$ 36,668	\$ 20,707	\$ 5,679	\$ 2,281	79,296
<i>Total Fund Balances</i>	<u>\$ 28,441</u>	<u>\$ 13,961</u>	<u>\$ 36,668</u>	<u>\$ 20,707</u>	<u>\$ 5,679</u>	<u>\$ 2,281</u>	<u>\$ 107,737</u>

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

**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

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

	<u>General</u>	<u>Motor Vehicle License Tax</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Permissive Sales Tax</u>
Receipts:					
Property and Other Local Taxes	\$ 38,366	\$	\$	\$ 17,304	\$
Charges for Services	200				
Intergovernmental	40,694	\$ 20,735	94,598	3,322	29,214
Interest	334	97	276		
Other	1,615	46	1,583	6,317	
<i>Total Receipts</i>	<u>81,209</u>	<u>20,878</u>	<u>96,457</u>	<u>26,943</u>	<u>29,214</u>
Disbursements:					
Current:					
General Government	55,679				29,214
Public Safety	14,980				
Public Works	4,878	9,684	78,844	11,825	
Health	6,000				
Conservation-Recreation	1,300				
Capital Outlay			47,684		
Debt Service:					
Principal Retirement		5,750	5,750		
Interest and Fiscal Charges		1,224	1,340		
<i>Total Disbursements</i>	<u>82,837</u>	<u>16,658</u>	<u>133,618</u>	<u>11,825</u>	<u>29,214</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,628)</u>	<u>4,220</u>	<u>(37,161)</u>	<u>15,118</u>	<u>0</u>
Other Financing Sources (Uses):					
Sale of Bonds			47,800		
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>47,800</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(1,628)	4,220	10,639	15,118	0
Fund Balances Beginning of Year	30,069	9,741	26,029	5,589	0
Fund Balances End of Year	<u>\$ 28,441</u>	<u>\$ 13,961</u>	<u>\$ 36,668</u>	<u>\$ 20,707</u>	<u>\$ 0</u>

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

<u>Misc Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$ 55,670
		200
		188,563
		707
		9,561
<u>0</u>	<u>0</u>	<u>254,701</u>
		233
		85,126
		14,980
41,925	6,621	153,777
		6,000
		1,300
		47,684
		11,500
		2,564
<u>41,925</u>	<u>6,854</u>	<u>322,931</u>
<u>(41,925)</u>	<u>(6,854)</u>	<u>(68,230)</u>
		47,800
<u>0</u>	<u>0</u>	<u>47,800</u>
(41,925)	(6,854)	(20,430)
47,604	9,135	128,167
<u>\$ 5,679</u>	<u>\$ 2,281</u>	<u>\$ 107,737</u>

**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property and Other Local Taxes	\$ 36,000	\$ 38,366	\$ 38,366	\$
Charges for Services	200	200	200	
Intergovernmental	38,329	38,199	40,694	2,495
Interest	450	323	334	11
Other	997	4,110	1,615	(2,495)
<i>Total Receipts</i>	<u>75,976</u>	<u>81,198</u>	<u>81,209</u>	<u>11</u>
Disbursements:				
Current:				
General Government	68,441	63,941	55,679	8,262
Public Safety	13,900	18,400	14,980	3,420
Public Works	11,000	11,000	4,878	6,122
Health	6,380	6,380	6,000	380
Conservation-Recreation	1,700	1,700	1,300	400
Capital Outlay	1,100	1,100		1,100
<i>Total Disbursements</i>	<u>102,521</u>	<u>102,521</u>	<u>82,837</u>	<u>19,684</u>
<i>Net Change in Fund Balance</i>	(26,545)	(21,323)	(1,628)	19,695
Fund Balance Beginning of Year	<u>30,069</u>	<u>30,069</u>	<u>30,069</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 3,524</u>	<u>\$ 8,746</u>	<u>\$ 28,441</u>	<u>\$ 19,695</u>

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

**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
MOTOR VEHICLE LICENSE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Intergovernmental	\$ 20,001	\$ 19,537	\$ 20,735	\$ 1,198
Interest	57	89	97	8
Other	1	1,244	46	(1,198)
	<u>20,059</u>	<u>20,870</u>	<u>20,878</u>	<u>8</u>
<i>Total Receipts</i>				
	<u>20,059</u>	<u>20,870</u>	<u>20,878</u>	<u>8</u>
Disbursements:				
Current:				
Public Works	30,117	25,732	9,684	16,048
Capital Outlay	500	500		500
Debt Service:				
Principal Retirement	2,470	5,870	5,750	120
Interest and Fiscal Charges	240	1,224	1,224	0
	<u>33,327</u>	<u>33,326</u>	<u>16,658</u>	<u>16,668</u>
<i>Total Disbursements</i>				
	<u>33,327</u>	<u>33,326</u>	<u>16,658</u>	<u>16,668</u>
<i>Net Change in Fund Balance</i>	(13,268)	(12,456)	4,220	16,676
Fund Balance Beginning of Year	9,741	9,741	9,741	0
Fund Balance End of Year	<u>\$ (3,527)</u>	<u>\$ (2,715)</u>	<u>\$ 13,961</u>	<u>\$ 16,676</u>

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

**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Intergovernmental	\$ 80,002	\$ 89,182	\$ 94,598	\$ 5,416
Interest	150	247	276	29
Other	996	6,999	1,583	(5,416)
<i>Total Receipts</i>	<u>81,148</u>	<u>96,428</u>	<u>96,457</u>	<u>29</u>
Disbursements:				
Current:				
Public Works	102,969	98,585	78,844	19,741
Capital Outlay	1,500	49,183	47,684	1,499
Debt Service:				
Principal Retirement	2,470	5,870	5,750	120
Interest and Fiscal Charges	240	1,340	1,340	
<i>Total Disbursements</i>	<u>107,179</u>	<u>154,978</u>	<u>133,618</u>	<u>21,360</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(26,031)	(58,550)	(37,161)	21,389
Other Financing Sources (Uses)				
Sale of Notes	2	47,800	47,800	
<i>Total Other Financing Sources (Uses)</i>	<u>2</u>	<u>47,800</u>	<u>47,800</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(26,029)	(10,750)	10,639	21,389
Fund Balance Beginning of Year	<u>26,029</u>	<u>26,029</u>	<u>26,029</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 15,279</u>	<u>\$ 36,668</u>	<u>\$ 21,389</u>

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

**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property and Other Local Taxes	\$ 16,300	\$ 17,304	\$ 17,304	\$
Intergovernmental	1,001	1,908	3,322	1,414
Other	699	7,731	6,317	(1,414)
<i>Total Receipts</i>	<u>18,000</u>	<u>26,943</u>	<u>26,943</u>	<u>0</u>
Disbursements:				
Current:				
Public Works	23,089	23,089	11,825	11,264
Capital Outlay	500	500		500
<i>Total Disbursements</i>	<u>23,589</u>	<u>23,589</u>	<u>11,825</u>	<u>11,764</u>
<i>Net Change in Fund Balance</i>	(5,589)	3,354	15,118	11,764
Fund Balance Beginning of Year	<u>5,589</u>	<u>5,589</u>	<u>5,589</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 0</u>	<u>\$ 8,943</u>	<u>\$ 20,707</u>	<u>\$ 11,764</u>

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

**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
PERMISSIVE SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Intergovernmental	\$ 40,100	\$ 40,635	\$ 29,214	\$ (11,421)
<i>Total Receipts</i>	<u>40,100</u>	<u>40,635</u>	<u>29,214</u>	<u>(11,421)</u>
Disbursements:				
Current:				
General Government	40,100	40,635	29,214	11,421
<i>Total Disbursements</i>	<u>40,100</u>	<u>40,635</u>	<u>29,214</u>	<u>11,421</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

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

**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
MISCELLANEOUS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Disbursements				
Current:				
General Government	\$ 411	\$ 411		\$ 411
Public Works	47,193	47,193	\$ 41,925	5,268
<i>Total Disbursements</i>	<u>47,604</u>	<u>47,604</u>	<u>41,925</u>	<u>5,679</u>
 <i>Net Change in Fund Balance</i>	 (47,604)	 (47,604)	 (41,925)	 5,679
 Fund Balance Beginning of Year	 <u>47,604</u>	 <u>47,604</u>	 <u>47,604</u>	 <u>0</u>
 Fund Balance End of Year	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 5,679</u>	 <u>\$ 5,679</u>

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

**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 128,167
<i>Total Assets</i>	<u>\$ 128,167</u>
Net Assets:	
Restricted for:	
Other Purposes	\$ 98,098
Unrestricted	30,069
<i>Total Net Assets</i>	<u>\$ 128,167</u>

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

WATERTOWN TOWNSHIP
WASHINGTON COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>General</u>	<u>MVL Tax</u>	<u>Gasoline Tax</u>	<u>Misc. Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 30,069	\$ 9,741	\$ 26,029	\$ 47,604	\$ 14,724	\$ 128,167
<i>Total Assets</i>	<u>\$ 30,069</u>	<u>\$ 9,741</u>	<u>\$ 26,029</u>	<u>\$ 47,604</u>	<u>\$ 14,724</u>	<u>\$ 128,167</u>
Fund Balances:						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	\$ 30,069					\$ 30,069
Special Revenue Funds		\$ 9,741	\$ 26,029	\$ 47,604	\$ 14,724	98,098
<i>Total Fund Balances</i>	<u>\$ 30,069</u>	<u>\$ 9,741</u>	<u>\$ 26,029</u>	<u>\$ 47,604</u>	<u>\$ 14,724</u>	<u>\$ 128,167</u>

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

WATERTOWN TOWNSHIP
WASHINGTON COUNTY

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

	General	Motor Vehicle License Tax	Gasoline Tax	Permissive Sales Tax	Misc. Special Revenue	Other Governmental Funds	Total Governmental Funds
Receipts:							
Property and Other Local Taxes	\$ 38,214					\$ 17,370	\$ 55,584
Charges for Services	200						200
Intergovernmental	39,429	16,180	80,193	40,110		20,289	196,201
Interest	509	71	162				742
Other	5,594	891	6,935			549	13,969
<i>Total Receipts</i>	<u>83,946</u>	<u>17,142</u>	<u>87,290</u>	<u>40,110</u>	<u>0</u>	<u>38,208</u>	<u>266,696</u>
Disbursements:							
Current:							
General Government	64,599			40,110	2,424	445	107,578
Public Safety	10,149						10,149
Public Works	7,300	12,404	76,763			38,125	134,592
Health	6,215						6,215
Conservation-Recreation	1,204						1,204
Debt Service:							
Principal Retirement		2,375	2,025				4,400
Interest and Fiscal Charges		403	404				807
<i>Total Disbursements</i>	<u>89,467</u>	<u>15,182</u>	<u>79,192</u>	<u>40,110</u>	<u>2,424</u>	<u>38,570</u>	<u>264,945</u>
<i>Net Change in Fund Balances</i>	(5,521)	1,960	8,098	0	(2,424)	(362)	1,751
Fund Balances Beginning of Year	35,590	7,781	17,931	0	50,028	15,086	126,416
Fund Balances End of Year	<u>\$ 30,069</u>	<u>\$ 9,741</u>	<u>\$ 26,029</u>	<u>\$ 0</u>	<u>\$ 47,604</u>	<u>\$ 14,724</u>	<u>\$ 128,167</u>

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

**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property and Other Local Taxes	\$ 39,000	\$ 38,214	\$ 38,214	\$
Charges for Services	200	200	200	
Intergovernmental	35,815	35,904	39,429	3,525
Interest	400	468	509	41
Other	300	5,583	5,594	11
<i>Total Receipts</i>	<u>75,715</u>	<u>80,369</u>	<u>83,946</u>	<u>3,577</u>
Disbursements:				
Current:				
General Government	79,665	77,973	64,599	13,374
Public Safety	12,900	14,592	10,149	4,443
Public Works	10,000	10,000	7,300	2,700
Health	6,590	6,590	6,215	375
Conservation-Recreation	1,700	1,700	1,204	496
Capital Outlay	450	450		450
<i>Total Disbursements</i>	<u>111,305</u>	<u>111,305</u>	<u>89,467</u>	<u>21,838</u>
<i>Net Change in Fund Balance</i>	(35,590)	(30,936)	(5,521)	25,415
Fund Balance Beginning of Year	<u>35,590</u>	<u>35,590</u>	<u>35,590</u>	
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 4,654</u>	<u>\$ 30,069</u>	<u>\$ 25,415</u>

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

**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
MOTOR VEHICLE LICENSE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Intergovernmental	\$ 17,500	\$ 19,704	\$ 16,180	\$ (3,524)
Interest	100	65	71	6
Other		892	891	(1)
<i>Total Receipts</i>	<u>17,600</u>	<u>20,661</u>	<u>17,142</u>	<u>(3,519)</u>
Disbursements:				
Current:				
Public Works	21,602	21,602	12,404	9,198
Capital Outlay	1,000	1,000		1,000
Debt Service:				
Principal Retirement	2,375	2,375	2,375	
Interest and Fiscal Charges	404	404	403	1
<i>Total Disbursements</i>	<u>25,381</u>	<u>25,381</u>	<u>15,182</u>	<u>10,199</u>
<i>Net Change in Fund Balance</i>	(7,781)	(4,720)	1,960	6,680
Fund Balance Beginning of Year	<u>7,781</u>	<u>7,781</u>	<u>7,781</u>	
Fund Balance End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 3,061</u></u>	<u><u>\$ 9,741</u></u>	<u><u>\$ 6,680</u></u>

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

**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Intergovernmental	\$ 71,250	\$ 80,193	\$ 80,193	\$
Interest	100	149	162	13
Other	50	6,935	6,935	
<i>Total Receipts</i>	<u>71,400</u>	<u>87,277</u>	<u>87,290</u>	<u>13</u>
Disbursements:				
Current:				
Public Works	85,352	85,352	76,763	8,589
Capital Outlay	1,200	1,200		1,200
Debt Service:				
Principal Retirement	2,375	2,375	2,025	350
Interest and Fiscal Charges	404	404	404	
<i>Total Disbursements</i>	<u>89,331</u>	<u>89,331</u>	<u>79,192</u>	<u>10,139</u>
<i>Net Change in Fund Balance</i>	(17,931)	(2,054)	8,098	10,152
Fund Balance Beginning of Year	<u>17,931</u>	<u>17,931</u>	<u>17,931</u>	
<i>Fund Balance End of Year</i>	<u>\$ 0</u>	<u>\$ 15,877</u>	<u>\$ 26,029</u>	<u>\$ 10,152</u>

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

**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
PERMISSIVE SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Intergovernmental	40,110	40,110	40,110	
<i>Total Receipts</i>	<u>40,110</u>	<u>40,110</u>	<u>40,110</u>	<u>0</u>
Disbursements:				
Current:				
General Government	40,110	40,110	40,110	
<i>Total Disbursements</i>	<u>40,110</u>	<u>40,110</u>	<u>40,110</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
MISCELLANEOUS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Disbursements:				
Current:				
General Government	2,835	2,835	2,424	411
Public Works	47,193	47,193		47,193
<i>Total Disbursements</i>	<u>50,028</u>	<u>50,028</u>	<u>2,424</u>	<u>47,604</u>
<i>Net Change in Fund Balance</i>	(50,028)	(50,028)	(2,424)	47,604
Fund Balance Beginning of Year	<u>50,028</u>	<u>50,028</u>	<u>50,028</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 47,604</u>	<u>\$ 47,604</u>

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

Watertown Township
Washington County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 1 – Reporting Entity

Watertown Township, Washington County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Clerk.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township has its own fire department for fire protection. Police protection is provided by the Washington County Sheriff's 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 a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include 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 the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities 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 cash basis or draws from the Township's general receipts.

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 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 governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund, Permissive Sales Tax Fund and Miscellaneous Special Revenue Fund. The General Fund is used to account for all financial resources, 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.

The Township had the following major funds in addition to the General Fund as mentioned above:

Motor Vehicle License Tax Fund – This fund receives Motor Vehicle License Tax money. Funds are restricted for the purpose of road maintenance provided it is expended according to the general laws of Ohio.

Gasoline Tax Fund – This fund receives gasoline tax money. Funds are restricted for the purpose of road maintenance provided it is expended according to the general laws of Ohio.

Road and Bridge Fund – This fund receives property tax money. Funds are restricted for the purpose of road maintenance provided it is expended according to the general laws of Ohio.

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Governmental Funds (Continued)

Permissive Sales Tax Fund – This fund receives money from the Washington County Commissioners from the County's Permissive Sales Tax levy. Funds are restricted for the purpose of road maintenance provided it is expended according to the general laws of Ohio.

Miscellaneous Special Revenue Fund – This fund receives state and federal money (FEMA). Funds are restricted for the purpose of repairs to specific projects due to flooding provided it is expended according to the general laws of Ohio and Federal Government.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Township are described in the appropriate section in this note.

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 liabilities and the related expenses) 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 plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the object 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 Clerk. 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 certificate 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

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”.

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 2006 was \$334 which includes \$125 assigned from other Township funds. Interest receipts credited to the General Fund during 2005 was \$509 which includes \$157 assigned from other Township funds.

F. 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.

G. Capital Assets

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

H. 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.

I. 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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

K. 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 road maintenance, fire protection and cemetery maintenance. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. 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 and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

In the prior audit the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For this audit the Township has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Accountability and Compliance

Compliance

For 2006 and 2005, the cash balances on deposit with the bank exceeded the \$100,000 federal deposit insurance limit and pledged securities in several months contrary to Ohio Rev. Code Section 135.18(A).

For 2006, the Township issued a bond and recorded the proceeds of the bond in the Debt Service Fund and the corresponding expenditure to the Debt Service Fund contrary to Ohio Rev. Code Section 5705.10(H).

Note 5 – 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 Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and the following major special revenue funds: Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund, Permissive Sales Tax Fund and Miscellaneous Special Revenue Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Note 6 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active 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.

Note 6 – Deposits and Investments (Continued)

Inactive deposits are public deposits that the Trustees have 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 monies 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.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

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.

Watertown Township
Washington County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 7 – Property Taxes

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 2006 and 2005 represent the collection of 2005 and 2004 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. 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.

Public utility property tax receipts received in 2006 and 2005 represent the collection of 2005 and 2004 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, 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 2006 and 2005 (other than public utility property) represent the collection of 2006 and 2005 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. 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 full tax rate for all Township operations for the year ended December 31, 2006, was \$3.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$9,263,880
Agricultural	5,847,470
Commercial/Industrial/Mineral	870,680
Tangible Personal Property	
Business	592,430
Public Utility	2,013,960
Total Assessed Value	<u>\$18,588,420</u>

Watertown Township
Washington County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 7 – Property Taxes (Continued)

The full tax rate for all Township operations for the year ended December 31, 2005, was \$3.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$9,285,420
Agricultural	5,727,990
Commercial/Industrial/Mineral	720,000
Tangible Personal Property	
Business	570,640
Public Utility	2,293,080
Total Assessed Value	<u>\$18,597,130</u>

Note 8 – 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, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

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 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

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.

Watertown Township
Washington County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 8 – Risk Management (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 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, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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.

Financial Position

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

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	\$20,587,360	\$18,141,062

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	\$9,334,254	\$7,771,765

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, 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 \$12,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph 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.

Watertown Township
Washington County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 8 – Risk Management (Continued)

<u>Contributions to OTARMA</u>	
2004	\$5,415
2005	\$6,005
2006	\$5,977

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 9 – Defined Benefit Pension Plan

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 percent 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 establish 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 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, were required to contribute 9 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2005, the members of all three plans, were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006 and 2005 were \$9,921 and \$9,456, respectively. The full amount has been contributed for 2006 and 2005.

Watertown Township
Washington County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 10 - Postemployment Benefits

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*. 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 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent 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 OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .5 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$3,259 in 2006 and \$2,791 in 2005. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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 increasing health care costs.

Note 11 - Debt

The Township's long-term debt activity for the year ended December 31, 2006, was as follows:

		Balance			Balance	
	Interest	December 31,			December 31,	Due Within
<u>Governmental Activities</u>	Rate	2005	Additions	Reductions	2006	One Year
<u>Bonds</u>						
2004 Roadway Equipment	5.00%	\$ 9,600	\$ 0	\$ 4,700	\$ 4,900	\$ 4,900
2006 Roadway Equipment	5.75%	0	47,800	6,800	41,000	9,400
		<u>\$ 9,600</u>	<u>\$47,800</u>	<u>\$ 11,500</u>	<u>\$ 45,900</u>	<u>\$ 14,300</u>

The bonds were issued to finance the purchase of roadway equipment.

Watertown Township
Washington County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 11 – Debt (Continued)

The following is a summary of the Township's future annual debt service requirements:

Year	Bonds	
	Principal	Interest
2007	\$ 14,300	\$ 2,603
2008	10,000	1,817
2009	10,500	1,242
2010	11,100	638
	<u>\$ 45,900</u>	<u>\$ 6,300</u>

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Mary Taylor, CPA

Auditor of State

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

Watertown Township
Washington County
16930 State Route 339
Waterford, Ohio 45786

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Watertown Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 26, 2007, wherein we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

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

Our consideration of 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 believe none of the significant deficiencies described above are material weaknesses.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated July 26, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2006-001 and 2006-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 26, 2007.

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

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



Mary Taylor, CPA
Auditor of State

July 26, 2007

**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 135.18(A) provides, in part, that the treasurer shall require the institution designated as a public depository to pledge to and deposit with the treasurer, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above the portion or amount of such moneys as is at that time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government.

In addition, the Ohio Rev. Code Section 135.181(B) states, in part, that in lieu of the specific pledging requirements of Section 135.18, an institution designated as a public depository at its option may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the institution and not otherwise secured, provided that at all times the total market value of the securities so pledged is at least equal to one hundred five percent of the total amount of all public deposits to be secured by the pooled securities, including the portion of such deposits covered by any federal deposit insurance.

During 2006, the cash balances on deposit with the bank exceeded the \$100,000 federal deposit insurance limit and pledged securities, and no pledged collateral was obtained for the excess deposits in the following months:

Month	Amount Not Covered by FDIC and Pledged Securities
May	\$ 2,102
June	14,158
July	5,701

During 2005, the cash balances on deposit with the bank exceeded the \$100,000 federal deposit insurance limit and pledged securities, and no pledged collateral was obtained for the excess deposits in the following months:

Month	Amount Not Covered by FDIC and Pledged Securities
February	\$ 14,144
March	16,447
April	11,108
May	4,646

As a result, the monies of the Township were not adequately protected against loss in the event of a bank failure.

**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005 (Continued)**

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

FINDING NUMBER 2006-001 (Continued)

Noncompliance Citation and Significant Deficiency (Continued)

Ohio Rev. Code Section 135.18(A) (Continued)

We recommend the Clerk and Trustees obtain additional specific pledged collateral for protection of the Township's monies, or alternatively, participate in the bank's public entity collateral pool, if used. Additionally, we recommend the Township develop policies and procedures to ensure all financial institutions comply with the collateralization requirements and that these requirements are stipulated in the depository agreements with the financial institutions.

Officials' Response: Collateral was an oversight because of FEMA money received.

FINDING NUMBER 2006-002

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established.

The Township issued a bond for the purpose of purchasing a tractor and mower and recorded the proceeds of the bond in the Debt Service Fund and the corresponding expenditure from the Debt Service Fund. The Debt Service Fund should only be used for the retirement of debt.

The proceeds of the bond and corresponding disbursement should have been posted to the Gasoline Tax Fund. An adjustment was recorded on the financial statements.

We recommend the Clerk post future debt proceeds and corresponding expenditures to the proper fund.

Officials' Response: The Township was not aware that the debt service fund was only used to pay debt.

**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Finding for recovery in the amount of \$2,881.02 issued against employee Charles Huck because the Township paid for insurance for the employee and also reimbursed him for payroll deductions for his wife's insurance.	Yes	Repaid Under Audit
2004-002	Finding for recovery in the amount of \$3,402.24 issued against Clerk Annette Schott because the Township reimbursed insurance premiums in 2003 and 2004 and there was no evidence of the Clerk declining the provided insurance coverage and there was no cap set for out of pocket expenditures.	No	Not repaid. The Township is seeking advice from legal counsel.
2004-003	Finding for recovery in the amount of \$6,134.28 issued against Trustee Donald Rauch because the Township reimbursed insurance premiums in 2003 and 2004 and there was no evidence of the official declining the provided insurance coverage and there was no cap set for out of pocket expenditures.	No	Not repaid. The Township is seeking advice from legal counsel.
2004-004	Finding for recovery in the amount of \$1,232.85 issued against Trustee James Theiman because the Township reimbursed insurance premiums in 2003 and there was no evidence of the official declining the provided insurance coverage and there was no cap set for out of pocket expenditures.	No	Not repaid. The Township is seeking advice from legal counsel.
2004-005	Finding for recovery in the amount of \$3,510.35 issued against Trustee Thomas Neill because the Township reimbursed insurance premiums in 2003 and 2004 and there was no evidence of the official declining the provided insurance coverage and there was no cap set for out of pocket expenditures.	No	Not repaid. The Township is seeking advice from legal counsel.

**WATERTOWN TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-006	Finding for recovery in the amount of \$1,500 issued against Trustee Walter Morris because the Township reimbursed insurance premiums in 2004 and there was no evidence of the official declining the provided insurance coverage and there was no cap set for out of pocket expenditures.	No	Not repaid. The Township is seeking advice from legal counsel.
2004-007	Ohio Rev. Code Section 5705.41(B) for expenditures exceeded appropriations at December 31, 2003 and December 31, 2004.	No	Partially Corrected; Reissued in the Management Letter.



Mary Taylor, CPA
Auditor of State

WATERTOWN TOWNSHIP

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 2, 2007**