



**Mary Taylor, CPA**  
Auditor of State



WOODVILLE TOWNSHIP  
SANDUSKY COUNTY

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# Mary Taylor, CPA

Auditor of State

Woodville Township  
Sandusky County  
321 E. Main Street P.O. Box 121  
Woodville, Ohio 43469-0121

To the Board of Trustees:

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

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**Mary Taylor, CPA**  
Auditor of State

May 29, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Woodville Township  
Sandusky County  
321 E. Main Street P.O. Box 121  
Woodville, Ohio 43469-0121

To the Board of Trustees:

We have audited the accompanying financial statements of Woodville Township, Sandusky County, (the Township) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Woodville Township, Sandusky County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 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.



**Mary Taylor, CPA**  
Auditor of State

May 29, 2007



**WOODVILLE TOWNSHIP  
SANDUSKY COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$43,739	\$428,372	\$472,111
Intergovernmental	61,482	206,476	267,958
Licenses, Permits, and Fees	5,599	10,021	15,620
Earnings on Investments	17,700	4,248	21,948
Other Revenue	4,347	23,781	28,128
	<u>132,867</u>	<u>672,898</u>	<u>805,765</u>
<b>Total Cash Receipts</b>			
	<u>132,867</u>	<u>672,898</u>	<u>805,765</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	102,796		102,796
Public Safety		370,049	370,049
Public Works	23,085	83,630	106,715
Health		30,935	30,935
Debt Service:			
Redemption of Principal	1,294	63,687	64,981
Interest and Fiscal Charges	3,721	8,381	12,102
Capital Outlay	123,000	53,746	176,746
	<u>253,896</u>	<u>610,428</u>	<u>864,324</u>
<b>Total Cash Disbursements</b>			
	<u>253,896</u>	<u>610,428</u>	<u>864,324</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(121,029)</u>	<u>62,470</u>	<u>(58,559)</u>
<b>Other Financing Receipts:</b>			
Sale of Notes	123,000		123,000
	<u>123,000</u>		<u>123,000</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements</b>	1,971	62,470	64,441
<b>Fund Cash Balances, January 1</b>	<u>80,855</u>	<u>515,397</u>	<u>596,252</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$82,826</b></u>	<u><b>\$577,867</b></u>	<u><b>\$660,693</b></u>

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

**WOODVILLE TOWNSHIP  
SANDUSKY COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$39,506	\$308,164		\$347,670
Intergovernmental	99,039	190,125	\$20,000	309,164
Licenses, Permits, and Fees	4,024	11,952		15,976
Earnings on Investments	11,980	2,674		14,654
Other Revenue	4,195	7,019		11,214
	<u>158,744</u>	<u>519,934</u>	<u>20,000</u>	<u>698,678</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	85,757	171,532		257,289
Public Safety	11,700	31,239		42,939
Public Works	700	184,488		185,188
Health		33,905		33,905
Capital Outlay		443,980	20,000	463,980
	<u>98,157</u>	<u>865,144</u>	<u>\$20,000</u>	<u>983,301</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>60,587</u>	<u>(345,210)</u>		<u>(284,623)</u>
<b>Other Financing Receipts:</b>				
Sale of Notes		200,000		200,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	60,587	(145,210)		(84,623)
Fund Cash Balances, January 1	<u>20,268</u>	<u>660,607</u>		<u>680,875</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$80,855</u></u>	<u><u>\$515,397</u></u>		<u><u>\$596,252</u></u>

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

**WOODVILLE TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Woodville Township, Sandusky County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

**B. Accounting Basis**

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

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

**C. Cash and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit and repurchase agreements at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**WOODVILLE TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

EMS Levy - This fund receives property tax money and a subsidy from Sandusky County to pay for EMS services within the Township.

Fire Levy - This fund receives property tax money to pay for the operation and maintenance of the fire department.

**3. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project fund.

Issue II/LTIP Fund - The Township received a grant from Sandusky County to repair a Township road.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**WOODVILLE TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2006	2005
Demand deposits	\$354,371	\$336,819
Certificates of deposit	53,143	100,692
Total deposits	407,514	437,511
Repurchase agreement	253,179	158,741
Total deposits and investments	\$660,693	\$596,252

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Investments:** The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$92,142	\$255,867	\$163,725
Special Revenue	607,476	672,898	65,422
Total	\$699,618	\$928,765	\$229,147

**WOODVILLE TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. BUDGETARY ACTIVITY – (CONTINUED)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$161,732	\$253,896	(\$92,164)
Special Revenue	854,612	610,428	244,184
Total	\$1,016,344	\$864,324	\$152,020

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$112,263	\$158,744	\$46,481
Special Revenue	499,953	719,934	219,981
Capital Projects	125,000	20,000	(105,000)
Total	\$737,216	\$898,678	\$161,462

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$120,031	\$98,157	\$21,874
Special Revenue	803,019	865,144	(62,125)
Capital Projects		20,000	(20,000)
Total	\$923,050	\$983,301	(\$60,251)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire Levy and Issue 2/LTIP fund by \$153,962 and \$20,000 for the year ended December 31, 2005 and in the General fund by \$92,164 for the year ended December 31, 2006.

**4. PROPERTY TAX**

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

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

**WOODVILLE TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**4. PROPERTY TAX – (CONTINUED)**

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

**5. DEBT**

Debt outstanding at December 31, 2006, was as follows:

	Principal	Interest Rate
Sky Bank Fire Truck Loan	\$136,312	4.5%
Huntington Mortgage	121,706	5.5%
Total	\$258,018	

The Sky Bank Fire Truck Loan relates to the Township's purchase of a 2006 Pierce Pumper Fire Truck. Sky Bank loaned the Township \$200,000 for this purchase. The Township will repay the loan in semiannual installments of \$36,034 over three years. The Pierce Pumper Truck is used to collateralize this loan. The Township did not properly authorize this debt in accordance with ORC § 505.262 and does not have the authority to grant the lender a security interest in the fire truck.

The Huntington Mortgage relates to the purchase of a building and land adjacent to the Township hall. The Huntington Bank loaned the Township \$123,000 for this purchase. The Township will repay the loan in semiannual installments of \$5,015 over twenty years. The building and land purchase is used to collateralize this loan. The Township did not properly authorize this debt in accordance with ORC § 505.262 and does not have the authority to grant the lender a security interest in the building purchased.

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

	Sky Bank Fire Truck Loan	Huntington Mortgage
Year ending December 31:		
2007	\$72,068	\$10,030
2008	72,068	10,030
2009		10,030
2010		10,030
2011		10,030
2012-2016		50,147
2017-2021		50,147
2022-2026		50,147
2027		5,015
Total	\$144,136	\$205,606

**WOODVILLE TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Inland Marine
- Automobile; and
- Other - Linebacker

**8. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor 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*

Woodville Township  
Sandusky County  
321 E. Main Street P.O. Box 121  
Woodville, Ohio 43469-0121

To the Township Board of Trustees:

We have audited the financial statements of Woodville Township, Sandusky County, (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 29, 2007, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We 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 § 117.01 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 a deficiency in internal control over financial reporting that we consider a significant deficiency.

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

We consider the item 2006-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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

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

We also noted certain matters that we reported to the Township's management in a separate letter dated May 29, 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-002 and 2006-003.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated May 29, 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.

Woodville Township  
Sandusky County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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

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

May 29, 2007

**WOODVILLE TOWNSHIP  
SANDUSKY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Material Weakness**

**Financial Reporting**

As a result of the audit procedures performed, errors were noted in the financial statements that required material audit adjustments. In 2005 and 2006, debt proceeds and the related expenditure were unrecorded in the Fire Levy and General funds. (\$200,000 – 2005; \$123,000 – 2006). Earnings on investments were not properly recorded in the General fund (\$720 – 2005 and \$5,916 – 2006). In 2006, debt payments were misposted to the capital outlay and public works line item instead of debt service principal and interest line items in the General and Fire Levy funds. (\$77,083 – 2006). A personal property tax receipt was misposted to the general fund instead of the Road & Bridge fund (\$2,486 – 2006); and an excess IRP payment was misposted to the general fund instead of the Motor Vehicle License fund (\$473 – 2006) . In 2005, the EMS subsidy received from Sandusky County was misposted to the other revenue line item instead of the intergovernmental revenue line item in the EMS Levy fund. (\$58,500 – 2005). In addition, estate tax, public utility reimbursements, and personal property exemption receipts were misposted as tax revenue instead of intergovernmental in the General Fund (\$33,831 – 2005) and a grant received from Sandusky County was misposted to the Road and Bridge Fund instead of the Issue 2/LTIP fund (\$20,000 - 2005).

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the Board, to identify and correct errors and omissions. The Fiscal Officer should also review the UAN chart of accounts and the Township Handbook's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

**Officials' Response**

The Trustees acknowledge errors were made and will perform more detailed reviews on the financial reports.

## FINDING NUMBER 2006-002

### Noncompliance Citation

Ohio Revised Code § 505.262(A) states the board of township trustees of any township, by unanimous vote, may adopt a resolution allowing the township to contract for the purchase of equipment, buildings, and sites, or for the construction of buildings, for any lawful township purpose. The board may issue, by resolution adopted by unanimous vote, securities of the township to finance purchases and construction made pursuant to this division. The securities shall be signed by the board and attested by the signature of the township fiscal officer, and the maximum maturity of those securities is subject to the limitation in section 133.20 of the Revised Code. The securities shall bear interest not to exceed the rate determine as provided in section 9.95 of the Revised Code and shall not be subject to Chapter 133 of the Revised Code. The resolution authorizing the issuance of the securities shall provide for levying and collecting annually by taxation, amounts sufficient to pay the interest on and principal of the securities. The securities may contain a clause permitting prepayments at the option of the board. Securities shall be offered for sale on the open market or given to the vendor or contractor if no sale is made.

Ohio Revised Code § 505.262(B) states no purchase or construction pursuant to division (A) of this section shall be undertaken unless the county auditor certifies that, if the purchase or construction is undertaken, the debt service charge for the purchase or construction in the first year, together with the debt service charge for that same year for any other purchase or construction already undertaken pursuant to division (A) of this section, does not exceed one-tenth of the township's total revenue from all sources. If the county auditor so certifies, in every year of the debt after the first year, the county budget commission shall include a debt charge in the township's annual tax budget submitted pursuant to section 5705.01 to 5704.47 of the Revised Code sufficient to meet the annual debt incurred pursuant to division (A) of this section, if the debt charge is omitted from the budget.

On November 17, 2005, the Township entered into a \$200,000 promissory note with Sky Bank for the purchase of equipment. On May 31, 2006, the Township entered into a \$123,000 mortgage with Huntington National Bank for the purchase of a building. However, the Township did not do the following for either of the aforementioned debt agreements:

- 1) Pass a resolution adopted by unanimous vote, to issue securities of the township to finance the purchases.
- 2) Since no resolution was adopted, it did not include the statement that the issuance of the securities shall provide for levying and collecting annually by taxation, amounts sufficient to pay the interest on and principal of the securities.
- 3) Obtain certification from the county auditor that, if the purchase or construction is undertaken, the debt service charge for the purchase or construction in the first year, together with the debt service charge for that same year for any other purchase or construction already undertaken pursuant to division (A) of this section, does not exceed one-tenth of the township's total revenue from all sources.
- 4) Since no certification was received from the county auditor, the county budget commission did not include a debt charge in the township's annual tax budget submitted pursuant to section 5705.01 to 5704.47 of the Revised Code sufficient to meet the annual debt incurred pursuant to division (A) of this section, if the debt charge is omitted from the budget.

Furthermore, according to Ohio Revised Code § 505.262, a board of township trustees is not authorized to grant a lender or vendor a security interest in property purchased and financed by the board in accordance with the terms of this section. See Ohio Attorney General Op. No. 96-048.

**FINDING NUMBER 2006-002  
 (Continued)**

On May 31, 2006, the Township entered into a loan agreement for the purchase of a building. On November 17, 2005, the Township entered into a commercial security agreement for the fire truck loan. Both of these agreements gave the respective lenders a security interest in the property at issue in each agreement in violation of ORC § 505.262.

We recommend the Township consult with their legal counsel on how to correct these debt agreements and consult with their legal counsel or hire bond counsel before entering into any future debt agreements.

**Officials' Response**

The Trustees acknowledge that proper procedure was not followed and the Trustees will consult with legal consul or bond counsel prior to entering into any new debt.

**FINDING NUMBER 2006-003**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

Our testing of budgetary compliance at December 31, 2005 and 2006, identified the following instances in which expenditures (cash disbursements plus encumbrances) exceeded appropriations:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<b>2005</b>			
Fire Levy	\$288,275	\$442,237	(\$153,962)
Issue 2/LTIP		\$20,000	(\$20,000)
<b>2006</b>			
General	\$161,732	\$253,896	(\$92,164)

Management was advised that the failure to have adequate appropriations in place at the time of the expenditures are being made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Board approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**Officials' Response**

The Trustees acknowledge errors were made and will perform more detailed reviews on the financial reports.

WOODVILLE TOWNSHIP  
SANDUSKY 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; <b><i>Explain</i></b>
2004-001	Ohio Revised Code §5705.41(B) expenditures exceeded appropriations.	No	Not corrected. Repeated as Finding # 2006-002.







**Mary Taylor, CPA**  
Auditor of State

**WOODVILLE TOWNSHIP**

**SANDUSKY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 21, 2007**