



Mary Taylor, CPA
Auditor of State

**CENTER TOWNSHIP
WOOD COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Center Township
Wood County
15605 Carter Road
Bowling Green, Ohio 43402-9377

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 Center Township, Wood County, (the Township) as of and for the year ended December 31, 2006, 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 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 discussed in Note 1, 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 Center Township, Wood County, Ohio, as of December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge, and Special Levy – Fire Funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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.



Mary Taylor, CPA
Auditor of State

August 25, 2008

**CENTER TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

This discussion and analysis of Center Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, within the limitations of the Township's cash basis of 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 increased \$110,757, or 31.9 percent, a significant change from the prior year. The fund most affected by the increase was the General Fund. This increase was due to an increase in interest income which came about as the result of an increase in the Township's primary bank account's interest rate.
- The Township's general receipts are primarily taxes and intergovernmental revenues. These receipts represent 44.8 and 47.2 percent, respectively, of the total cash received for governmental activities during the year. Taxes and intergovernmental revenue receipts for 2006 changed very little compared to 2005 as no new revenue sources were identified.
- Roadwork costs in 2006 totaled \$99,867. The Township paid off the balance of the 2003 dump truck loan, totaling \$15,548. A payment of \$25,000 was also made to the Wood County Engineer for the unbilled Issue II project. The balance at fiscal year end is \$19,277, which will be paid in 2007.

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.

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 the 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.

**CENTER TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

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 Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006, 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. 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 condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

The statement of net assets and the statement of activities shows only governmental activities. The Township's basic services are reported here, including fire and roads. Property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township'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.

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 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, Gasoline Tax Fund, Road and Bridge Fund, and the Special Levy – Fire Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**CENTER TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

The Township as a Whole

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

(Table 1)

Net Assets

| | Governmental Activities | |
|---------------------------|-------------------------|-----------|
| | 2006 | 2005 |
| Assets | | |
| Cash and Cash Equivalents | \$457,930 | \$347,173 |
| Net Assets | | |
| Restricted for: | | |
| Other Purposes | \$191,788 | \$136,192 |
| Unrestricted | 266,142 | 210,981 |
| Total Net Assets | \$457,930 | \$347,173 |

As mentioned previously, net assets of governmental activities increased \$ 110,757 or 31.9 percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Interest rates increased for the Township's primary bank account.
- Roadwork in 2006 totaled \$99,867, while in 2005 it totaled \$159,109, resulting in a decrease in roadwork expenditures of \$59,242.

**CENTER TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

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

| | Governmental | |
|----------------------------------------------------------------|--------------|-----------|
| | Activities | |
| | 2006 | 2005 |
| Receipts: | | |
| Program Receipts: | | |
| Charges for Services and Sales | \$22,584 | \$9,275 |
| Operating Grants and Contributions | 121,164 | 94,996 |
| Total Program Receipts | 143,748 | 104,271 |
| General Receipts: | | |
| Property and Other Local Taxes | 168,215 | 163,048 |
| Payments in Lieu of Taxes | 35,000 | 35,000 |
| Grants and Entitlements Not Restricted to Specific Programs | 93,014 | 96,490 |
| Interest | 13,586 | 8,046 |
| Miscellaneous | 101 | 12,134 |
| Total General Receipts | 309,916 | 314,718 |
| Total Receipts | 453,664 | 418,989 |
| | | |
| Disbursements: | | |
| General Government | 115,487 | 126,082 |
| Public Safety | 29,272 | 29,623 |
| Public Works | 171,350 | 249,898 |
| Health | 7,598 | 7,580 |
| Capital Outlay | 2,159 | 12,413 |
| Principal Retirement | 15,548 | 17,329 |
| Interest and Fiscal Charges | 1,493 | 1,291 |
| Total Disbursements | 342,907 | 444,216 |
| | | |
| Increase (Decrease) in Net Assets | 110,757 | (25,227) |
| | | |
| Net Assets, January 1 | 347,173 | 372,400 |
| Net Assets, December 31 | \$457,930 | \$347,173 |

Program receipts represent only 31.7 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

**CENTER TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

General receipts represent 68.3 percent of the Township's total receipts, and of this amount, approximately 65.6 percent are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (30 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of trustees, and the Fiscal Officer, as well as internal services such as payroll and purchasing.

Public Safety represents the costs of fire protection; Public Works represents the costs of maintaining the roads; Health Services represents the health department and the costs of maintaining cemeteries; Capital Outlay represents the cost of purchasing equipment used to maintain the roadways as well as for fire protection services; and Principal Retirement/Interest and Fiscal Charges are the costs of paying a loan for a dump truck purchased in 2003.

Governmental Activities

If you look at the Statement of Activities, 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 public works and general government, which account for 50 and 33.7 percent of all governmental disbursements, respectively. Public safety also represents a significant cost, about 8.5 percent. The next two 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 Receipt (Disbursement) 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 | \$115,487 | \$110,307 | \$126,082 | \$120,837 |
| Public Safety | 29,272 | 25,445 | 29,623 | 23,623 |
| Public Works | 171,350 | 36,609 | 249,898 | 156,872 |
| Health | 7,598 | 7,598 | 7,580 | 7,580 |
| Capital Outlay | 2,159 | 2,159 | 12,413 | 12,413 |
| Principal Retirement | 15,548 | 15,548 | 17,329 | 17,329 |
| Interest and Fiscal Charges | 1,493 | 1,493 | 1,291 | 1,291 |
| Total Expenses | \$342,907 | \$199,159 | \$444,216 | \$339,945 |

The dependence upon property tax receipts is apparent as approximately 58 percent of governmental activities are supported through these general receipts.

**CENTER TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

The Township's Funds

Total governmental funds had receipts of \$453,664 and disbursements of \$342,907. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$55,161 as the result of an increase in the Township's primary bank account's interest rate and a reduction in roadwork expenditures of \$59,242 over the prior fiscal year.

General Fund 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, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2006, the Township did not amend its General Fund budget. There was no change between final budgeted receipts and original budgeted receipts. The Township saw large positive variances between the budgeted and actual amounts, primarily in the intergovernmental revenue and interest income line items. The positive variance in intergovernmental revenue was due to a large estate tax settlement, while the positive variance in interest income was due to an increase in the interest rate for the Township's primary bank account.

Final budgeted disbursements did not fluctuate from original budgeted disbursements. Final budgeted disbursements were \$339,632 while actual disbursements were \$148,032. The Township kept spending within budgeted amounts to lessen the reducing of fund balance. The result was an increase in fund balance of \$55,161 for 2006.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2006, the Township had no outstanding debt; however, they still owed the Wood County Engineer for an outstanding unbilled Issue II project. For further information regarding the Township's debt, refer to Note 10 to the basic financial statements.

Current Issues

The challenge for all Townships 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.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to 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 Jan Sarver, Fiscal Officer, Center Township, Wood County, 15605 Carter Road, Bowling Green, Ohio 43402-9377.

**CENTER TOWNSHIP
WOOD COUNTY**

*Statement of Net Assets - Cash Basis
December 31, 2006*

| | <u>Governmental Activities</u> |
|--------------------------------------------|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$457,930</u> |
| Net Assets | |
| Restricted for: | |
| Other Purposes | \$191,788 |
| Unrestricted | <u>266,142</u> |
| <i>Total Net Assets</i> | <u><u>\$457,930</u></u> |

See accompanying notes to the basic financial statements

**CENTER TOWNSHIP
WOOD COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2006*

| | Program Cash Receipts | | | Net (Disbursements) Receipts and Changes in Net Assets |
|-------------------------------------------------------------|--------------------------------------|------------------------------------------|----------------------------|--------------------------------------------------------------|
| Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities | |
| Governmental Activities | | | | |
| General Government | \$115,487 | \$5,180 | | (\$110,307) |
| Public Safety | 29,272 | 2,000 | \$1,827 | (25,445) |
| Public Works | 171,350 | 15,404 | 119,337 | (36,609) |
| Health | 7,598 | | | (7,598) |
| Capital Outlay | 2,159 | | | (2,159) |
| Debt Service: | | | | |
| Principal | 15,548 | | | (15,548) |
| Interest and Other Fiscal Charges | 1,493 | | | (1,493) |
| Total Governmental Activities | \$342,907 | \$22,584 | \$121,164 | (199,159) |
| General Receipts | | | | |
| Property Taxes: | | | | |
| General | | | | 64,783 |
| Road and Bridge Maintenance | | | | 70,429 |
| Fire | | | | 33,003 |
| Payment in Lieu of Taxes | | | | 35,000 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 93,014 |
| Interest | | | | 13,586 |
| Miscellaneous | | | | 101 |
| Total General Receipts | | | | 309,916 |
| Change in Net Assets | | | | 110,757 |
| Net Assets Beginning of Year | | | | 347,173 |
| Net Assets End of Year | | | | \$457,930 |

See accompanying notes to the basic financial statements

**CENTER TOWNSHIP
WOOD COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006*

| | General | Gasoline Tax | Road and Bridge | Special Levy Fire | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------------|-----------|-----------------|--------------------|----------------------|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$266,142 | \$41,110 | \$32,445 | \$91,480 | \$26,753 | \$457,930 |
| Fund Balances | | | | | | |
| Unreserved: | | | | | | |
| Undesignated, Reported in: | | | | | | |
| General Fund | 266,142 | | | | | 266,142 |
| Special Revenue Funds | | 41,110 | 32,445 | 91,480 | 26,753 | 191,788 |
| <i>Total Fund Balances</i> | \$266,142 | \$41,110 | \$32,445 | \$91,480 | \$26,753 | \$457,930 |

See accompanying notes to the basic financial statements

**CENTER TOWNSHIP
WOOD COUNTY**

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

| | General | Gasoline Tax | Road and Bridge | Special Levy Fire | Other Governmental Funds | Total Governmental Funds |
|----------------------------------------|-------------------------|------------------------|------------------------|------------------------|--------------------------------|--------------------------------|
| Receipts | | | | | | |
| Property and Other Local Taxes | \$64,783 | | \$70,429 | \$33,003 | | \$168,215 |
| Payment in Lieu of Taxes | 35,000 | | | | | 35,000 |
| Charges for Services | 2,000 | | 8,250 | | | 10,250 |
| Licenses, Permits and Fees | 3,830 | | | | | 3,830 |
| Intergovernmental | 82,543 | \$92,923 | 8,685 | 5,159 | \$24,868 | 214,178 |
| Interest | 13,586 | 3,226 | | | 3,928 | 20,740 |
| Other | 1,451 | | | | | 1,451 |
| <i>Total Receipts</i> | <u>203,193</u> | <u>96,149</u> | <u>87,364</u> | <u>38,162</u> | <u>28,796</u> | <u>453,664</u> |
| Disbursements | | | | | | |
| Current: | | | | | | |
| General Government | 115,487 | | | | | 115,487 |
| Public Safety | 511 | | | 28,761 | | 29,272 |
| Public Works | 23,421 | 75,235 | 61,629 | | 11,065 | 171,350 |
| Health | 7,598 | | | | | 7,598 |
| Capital Outlay | | | | | 2,159 | 2,159 |
| Debt Service: | | | | | | |
| Principal Retirement | 996 | 5,322 | 2,754 | | 6,476 | 15,548 |
| Interest and Fiscal Charges | 19 | 103 | 1,246 | | 125 | 1,493 |
| <i>Total Disbursements</i> | <u>148,032</u> | <u>80,660</u> | <u>65,629</u> | <u>28,761</u> | <u>19,825</u> | <u>342,907</u> |
| <i>Net Change in Fund Balances</i> | 55,161 | 15,489 | 21,735 | 9,401 | 8,971 | 110,757 |
| <i>Fund Balances Beginning of Year</i> | <u>210,981</u> | <u>25,621</u> | <u>10,710</u> | <u>82,079</u> | <u>17,782</u> | <u>347,173</u> |
| <i>Fund Balances End of Year</i> | <u><u>\$266,142</u></u> | <u><u>\$41,110</u></u> | <u><u>\$32,445</u></u> | <u><u>\$91,480</u></u> | <u><u>\$26,753</u></u> | <u><u>\$457,930</u></u> |

See accompanying notes to the basic financial statements

**CENTER TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------|------------------------|------------------------|-------------------------|---------------------------------------------------------|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$58,000 | \$58,000 | \$64,783 | \$6,783 |
| Payment in Lieu of Taxes | 35,000 | 35,000 | 35,000 | |
| Charges for Services | 1,000 | 1,000 | 2,000 | 1,000 |
| Licenses, Permits and Fees | 2,750 | 2,750 | 3,830 | 1,080 |
| Intergovernmental | 34,275 | 34,275 | 82,543 | 48,268 |
| Interest | 7,500 | 7,500 | 13,586 | 6,086 |
| Other | 10,019 | 10,019 | 1,451 | (8,568) |
| <i>Total receipts</i> | <u>148,544</u> | <u>148,544</u> | <u>203,193</u> | <u>54,649</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 203,678 | 203,678 | 115,487 | 88,191 |
| Public Safety | 511 | 511 | 511 | |
| Public Works | 99,139 | 99,139 | 23,421 | 75,718 |
| Health | 7,598 | 7,598 | 7,598 | |
| Capital Outlay | 27,691 | 27,691 | | 27,691 |
| Debt Service: | | | | |
| Principal Retirement | 996 | 996 | 996 | |
| Interest and Fiscal Charges | 19 | 19 | 19 | |
| <i>Total Disbursements</i> | <u>339,632</u> | <u>339,632</u> | <u>148,032</u> | <u>191,600</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(191,088)</u> | <u>(191,088)</u> | <u>55,161</u> | <u>246,249</u> |
| <i>Fund Balance Beginning of Year</i> | <u>210,981</u> | <u>210,981</u> | <u>210,981</u> | |
| <i>Fund Balance End of Year</i> | <u><u>\$19,893</u></u> | <u><u>\$19,893</u></u> | <u><u>\$266,142</u></u> | <u><u>\$246,249</u></u> |

See accompanying notes to the basic financial statements

**CENTER TOWNSHIP
WOOD 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*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------|------------------|----------|----------|---------------------------------------------------------|
| | Original | Final | | |
| Receipts | | | | |
| Intergovernmental | \$69,000 | \$69,000 | \$92,923 | \$23,923 |
| Interest | 1,000 | 1,000 | 3,226 | 2,226 |
| <i>Total receipts</i> | 70,000 | 70,000 | 96,149 | 26,149 |
| Disbursements | | | | |
| Current: | | | | |
| Public Works | 86,195 | 86,195 | 75,235 | 10,960 |
| Debt Service: | | | | |
| Principal Retirement | 5,322 | 5,322 | 5,322 | |
| Interest and Fiscal Charges | 103 | 103 | 103 | |
| <i>Total Disbursements</i> | 91,620 | 91,620 | 80,660 | 10,960 |
| <i>Net Change in Fund Balance</i> | (21,620) | (21,620) | 15,489 | 37,109 |
| <i>Fund Balance Beginning of Year</i> | 25,621 | 25,621 | 25,621 | |
| <i>Fund Balance End of Year</i> | \$4,001 | \$4,001 | \$41,110 | \$37,109 |

See accompanying notes to the basic financial statements

**CENTER TOWNSHIP
WOOD 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*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------|------------------|-----------------|-----------------|---------------------------------------------------------|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$60,500 | \$60,500 | \$70,429 | \$9,929 |
| Charges for Services | 8,250 | 8,250 | 8,250 | |
| Intergovernmental | 8,443 | 8,443 | 8,685 | 242 |
| Other | 900 | 900 | | (900) |
| <i>Total receipts</i> | <i>78,093</i> | <i>78,093</i> | <i>87,364</i> | <i>9,271</i> |
| Disbursements | | | | |
| Current: | | | | |
| Public Works | 85,590 | 85,590 | 61,629 | 23,961 |
| Debt Service: | | | | |
| Principal Retirement | 2,754 | 2,754 | 2,754 | |
| Interest and Fiscal Charges | 1,246 | 1,246 | 1,246 | |
| <i>Total Disbursements</i> | <i>89,590</i> | <i>89,590</i> | <i>65,629</i> | <i>23,961</i> |
| <i>Net Change in Fund Balance</i> | <i>(11,497)</i> | <i>(11,497)</i> | <i>21,735</i> | <i>33,232</i> |
| <i>Fund Balance Beginning of Year</i> | <i>10,710</i> | <i>10,710</i> | <i>10,710</i> | |
| <i>Fund Balance End of Year</i> | <i>(\$787)</i> | <i>(\$787)</i> | <i>\$32,445</i> | <i>\$33,232</i> |

See accompanying notes to the basic financial statements

**CENTER TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Special Levy Fire Fund
For the Year Ended December 31, 2006*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------|------------------|----------------|-----------------|---------------------------------------------------------|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$32,500 | \$32,500 | \$33,003 | \$503 |
| Intergovernmental | 5,213 | 5,213 | 5,159 | (54) |
| Other | 1,000 | 1,000 | | (1,000) |
| <i>Total receipts</i> | <u>38,713</u> | <u>38,713</u> | <u>38,162</u> | <u>(551)</u> |
| Disbursements | | | | |
| Current: | | | | |
| Public Safety | 85,005 | 86,505 | 28,761 | 57,744 |
| Capital Outlay | 35,000 | 35,000 | | 35,000 |
| <i>Total Disbursements</i> | <u>120,005</u> | <u>121,505</u> | <u>28,761</u> | <u>92,744</u> |
| <i>Net Change in Fund Balance</i> | (81,292) | (82,792) | 9,401 | 92,193 |
| <i>Fund Balance Beginning of Year</i> | <u>82,079</u> | <u>82,079</u> | <u>82,079</u> | |
| <i>Fund Balance End of Year</i> | <u>\$787</u> | <u>(\$713)</u> | <u>\$91,480</u> | <u>\$92,193</u> |

See accompanying notes to the basic financial statements

**CENTER TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 1 – REPORTING ENTITY

Center Township, Wood 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 Fiscal Officer.

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

A. 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, cemetery maintenance, and fire protection.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Based on these criteria, the Township has no component units.

C. Public Entity Risk Pool

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this pool.

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.

**CENTER TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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

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.

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 Township only has governmental funds.

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, the Gasoline Tax Fund, the Road and Bridge Fund, and the Special Levy – Fire 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 Gasoline Tax Fund is used for operating supplies and repair and maintenance of roads and equipment. The Road and Bridge Fund is used for road resurfacing and bridge repair. The Special Levy – Fire Fund is used for equipment maintenance, fire runs and training for firefighters, gear, and supplies.

**CENTER TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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

The other governmental funds of the Township account for intergovernmental revenues and investment income 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. 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.

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 fund, department, and program level for all funds.

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

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".

**CENTER TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2006, the Township invested in STAR Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

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 \$13,586 which includes \$2,025 assigned from other Township funds.

F. Restricted Assets

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township has no restricted assets.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

**CENTER TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

L. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road and bridge construction and maintenance, as well as fire equipment and its related maintenance, fire runs and training for firefighters. 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.

N. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. There were no fund balance reserves as of December 31, 2007.

O. Interfund Transactions

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

NOTE 3 – COMPLIANCE

The Township did not properly certify certain Township disbursements.

Tangible personal property tax, excess IRP, local government and homestead/rollback revenue was posted incorrectly to the General, Gasoline Tax, Road and Bridge, Special Levy-Fire, Motor Vehicle License Tax and Permissive Motor Vehicle License Tax funds requiring adjustments to these funds as follows \$345, (\$556), \$1,766, (\$797), \$556 and (\$1,314), respectively.

**CENTER TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, gasoline tax fund, road and bridge fund, and special – levy fire fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no encumbrances outstanding at year end.

NOTE 5 – 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.

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;

**CENTER TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS – (CONTINUED)

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 (STAR Ohio).

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.

At year end, the Township had \$8,700 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$247,122 of the Township's bank balance of \$347,122 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2006, the Township had the following investment:

| | |
|-----------|-----------------------|
| | <u>Carrying Value</u> |
| STAR Ohio | <u>\$145,837</u> |

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township has no investment policy dealing with interest rate risk.

STAR Ohio carries a rating of AAAM by Standard and Poor's and has a maturity of approximately one month. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**CENTER TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Property tax receipts received in 2006 for real and public utility property taxes represents collections of the 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) is for 2006 taxes.

2006 real property taxes are levied after October 1, 2005 on the assessed values as of January 1, 2005, 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 semi-annually. 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 tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes which became a lien on December 31, 2005, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2006 tangible property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, and 6.25 percent for 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$5.80 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2006 property tax receipts were based are as follows:

| | |
|-------------------------------|----------------------------|
| Real Property | |
| Residential | \$21,711,660 |
| Agricultural | 5,582,880 |
| Commercial/Industrial/Mineral | 1,921,150 |
| Tangible Personal Property | |
| Business | 1,388,193 |
| Public Utility | 1,994,510 |
| Total Assessed Values | <u><u>\$32,598,393</u></u> |

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

**CENTER TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 7 – RISK MANAGEMENT

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

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

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

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, 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.

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.

**CENTER TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 7 – RISK MANAGEMENT – (CONTINUED)

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 | <u>\$20,587,360</u> | <u>\$18,141,062</u> |

| <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 | <u>\$9,334,254</u> | <u>\$7,771,765</u> |

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 \$14,000. 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.

| <u>Year</u> | <u>Contribution</u> |
|-------------|---------------------|
| 2006 | \$ 6,983 |
| 2005 | 7,235 |
| 2004 | 7,014 |

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.

**CENTER TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 8 – DEFINED BENEFIT PENSION PLAN

A. Ohio Public Employees Retirement System

Plan Description - 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) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2006, members in state and local classifications contributed 9 percent of covered payroll.

For 2006, the Township's employees contributed 9.0 percent of their gross wages and the Township's contribution rate was 13.70 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Township of 14 percent.

The Township's required contributions for pension obligations to the traditional plan for the years ended December 31, 2006, 2005, and 2004, were \$15,280, \$18,756, and \$16,588 respectively. \$1,199 is still outstanding for 2006; the full amount has been contributed for 2005 and 2004.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

**CENTER TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 9 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 – 7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2006, local government employers contributed 13.70 percent of covered payroll. Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 4.50 percent of covered payroll.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Township's contributions allocated to fund postemployment healthcare benefits for the year ended December 31, 2006, were \$3,404.

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 10 – DEBT

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

| | Interest Rate | Balance December 31, 2006 | Additions | Reductions | Balance December 31, 2006 | Due Within One Year |
|-----------------------------------------------|------------------|---------------------------------|-----------|-----------------|---------------------------------|------------------------|
| <u>Governmental Activities</u> | | | | | | |
| Truck Loan | | | | | | |
| 2004 Issue (Original Amount \$49,375) | 3.80% | \$15,548 | | \$15,548 | | |
| Issue II Repayment | | | | | | |
| County Engineer (Original Amount \$69,277) | 0% | 44,277 | | 25,000 | \$19,277 | \$19,277 |
| Total Governmental Activities | | <u>\$59,825</u> | | <u>\$40,548</u> | <u>\$19,277</u> | <u>\$19,277</u> |

The truck loan from Huntington National Bank was used to purchase a new dump truck and plowing equipment for Township road maintenance. The Issue II repayment stems from an amount due to the County for road work performed; this will be paid from an appropriate fund out the Public Works line item.

**CENTER TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 10 – DEBT – (CONTINUED)

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

| Year | <u>Issue II Repayment</u> <u>Principal</u> |
|------|-----------------------------------------------|
| 2007 | <u>\$19,277</u> |

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2006, were an overall debt margin of \$3,422,831 and an unvoted debt margin of \$1,792,912.

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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*

Center Township
Wood County
15605 Carter Road
Bowling Green, Ohio 43402-9377

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 Center Township, Wood County (the Township) as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 25, 2008, 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis.

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A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-003.

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 the significant deficiency described above is also a material weakness.

We also noted certain matters that we reported to the Township's management in a separate letter dated August 25, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance 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 matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 25, 2008.

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



Mary Taylor, CPA
Auditor of State

August 25, 2008

**CENTER TOWNSHIP
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

| |
|-------------------------------------------------------------------------------------------------------------|
| 1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|-------------------------------------------------------------------------------------------------------------|

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Blanket Certificate: Fiscal Officers may prepare "blanket" certificates not exceeding amounts (appropriations) as approved by the Board of Trustees via Ordinance or Resolution, or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate: The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

For twenty percent of the transactions tested, prior certification was not obtained nor was a then and now certificate utilized. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

Certification is not only required by Ohio law but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Township funds being over expended or exceeding budgetary spending limitations as set by the Board. To improve controls over disbursements and reduce the possibility of the Township's expenditures exceeding budgetary spending limitations, we recommend all Township disbursements receive prior certification of the Fiscal Officer. When prior certification is not possible, "then and now" certificates should be utilized.

FINDING NUMBER 2006-002

Noncompliance Citation

Ohio Revised Code § 5705.10(D) provides, in part, that all revenue derived from a specific source shall be credited to a special fund for that purpose for which the monies were received.

The Township financial records reflected tangible personal property tax revenue, excess IRP revenue, local government revenue, and homestead/rollback revenue to the incorrect funds. As stated above, these monies must be credited to a special fund for that purpose for which the monies were received. These postings are reflected below:

| General Fund | Gasoline Tax Fund | Road & Bridge Fund | Special Levy - Fire Fund | Motor Vehicle License Tax Fund | Permissive Motor Vehicle License Tax Fund |
|---------------------|--------------------------|-------------------------------|---------------------------------|---------------------------------------|--------------------------------------------------|
| \$345 | (\$556) | \$1,766 | (\$797) | \$556 | (\$1,314) |

These adjustments have been posted by the client and are reflected in the financial statements.

Sound financial reporting is the responsibility of the Fiscal Officer and Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Fiscal Officer and Trustees review each month a receipt report to ensure receipts are properly posted.

FINDING NUMBER 2006-003

Material Weakness - Monitoring Controls by Trustees and Financial Reporting

Sound accounting procedures require there to be adequate segregation of duties and monitoring procedures performed by management. Sound financial reporting is the responsibility of the Fiscal Officer and Township Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Fiscal Officer performed most accounting functions. It is therefore important the Trustees monitor financial activity closely. The following deficiencies were noted in the reporting of the Township’s financial activity that required adjustment and are reflected in the accompanying financial statements and accounting records:

- Errors were noted in the posting of revenues and expenditures to the financial statements that required audit reclassifications and adjustments ranging in amounts of \$556 to \$35,000.
- As noted in the Finding 2006-002 Township financial records reflected tangible personal property tax revenue, excess IRP revenue, local government revenue, and homestead/rollback revenue were posted to the incorrect funds.
- The Township bank account was not reconciled each month. For the reconciliations performed “Other Adjustment Factor” amount was not identified as to what transactions composed the adjustment amount.
- Considerable time lapse was noted from the dates the checks were written to the Township to when the money was deposited in the bank and posted to the system.

**FINDING NUMBER 2006-003
(Continued)**

- Payroll withholdings were not paid on a timely basis. Timing delays were encountered when the withholdings were paid and posted on the system. In addition, there were instances where the amounts withheld did not agree to the amounts paid.
- Budgeted receipts and appropriations posted to the Township's accounting system did not always agree to the amended certificate of estimated resources or to the appropriation resolution or any modifications or amendments.

These weaknesses allowed posting errors to occur and go undetected. Further, it makes reconciling the Township's accounts difficult and may not provide realistic financial information making it difficult to make sound business decisions. In addition, inaccurate budgetary information could hinder the Trustee's ability to monitor the Township's financial condition when reviewing budgetary reports. To strengthen the monitoring over the Township's financial condition and ensure the financial statements are complete and accurate we recommend:

- The Township should adopt policies and procedures, including a review of the financial records and a final review of the statements by the Fiscal Officer and Township Trustees.
- Monthly reconciliations be performed and any adjustments to the reconciliation should be identified and resolved. The Township Trustees should review these reconciliations and sign off indicating their review.
- Receipts should be deposited within 24 hours of receipts and all receipts received during the month should be posted to the system prior to the month end close-out.
- Payroll withholdings should be paid on a timely basis and care taken to ensure that the amount paid agrees to the amount withheld.
- Budget receipts and appropriations posted to the system should agree to the amounts approved by the Budget Commission and Township Trustees.

Officials' Response:

We received no response from Official's to the above findings.

**CENTER TOWNSHIP
WOOD COUNTY**

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

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|-------------------------------------------------------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| 2005-001 | ORC § 5705.41(D)(1) requires certification of expenditures. | No | Reissued as Finding 2006-001 in this report. |



Mary Taylor, CPA
Auditor of State

CENTER TOWNSHIP

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 18, 2008**