
**WASHINGTON TOWNSHIP
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2003 & 2002

Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS



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**Auditor of State
Betty Montgomery**

Board of Trustees
Washington Township
3900 County Road 29
Mt. Gilead, Ohio 43338

We have reviewed the Independent Auditor's Report of Washington Township, Morrow County, prepared by Whited Seigneur Sams & Rahe, LLP, for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 29, 2004

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WASHINGTON TOWNSHIP
MORROW COUNTY, OHIO

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August 4, 2004

Board of Trustees
Washington Township
Morrow County
3900 County Road 29
Mt. Gilead, Ohio 43338

Report of Independent Auditor

We have audited the accompanying financial statements of Washington Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2003 and 2002. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Washington Township, Morrow County, Ohio, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 4, 2004 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 grants. That report is an integral part of audits performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**WASHINGTON TOWNSHIP
MORROW COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		(Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
CASH RECEIPTS			
Local Taxes	\$ 21,566	\$ 70,413	\$ 91,979
Licenses, Permits & Fees	13,085	0	13,085
Special Assessments	0	3,983	3,983
Intergovernmental Receipts	30,665	67,497	98,162
Earnings on Investments	311	110	421
Other Receipts	<u>7,245</u>	<u>7,881</u>	<u>15,126</u>
TOTAL CASH RECEIPTS	72,872	149,884	222,756
CASH DISBURSEMENTS			
General Government	70,028	0	70,028
Public Safety	0	36,127	36,127
Public Works	9,143	82,688	91,831
Health	4,431	40,559	44,990
Capital Outlay	<u>0</u>	<u>9,444</u>	<u>9,444</u>
TOTAL CASH DISBURSEMENTS	<u>83,602</u>	<u>168,818</u>	<u>252,420</u>
TOTAL CASH RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS	(10,730)	(18,934)	(29,664)
Fund Cash Balances, January 1, 2003	<u>14</u>	<u>65,213</u>	<u>65,227</u>
Fund Cash Balances, December 31, 2003	<u>\$ (10,716)</u>	<u>\$ 46,279</u>	<u>\$ 35,563</u>
Reserve for Encumbrances, December 31, 2003	<u>\$ 0</u>	<u>\$ 90</u>	<u>\$ 90</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WASHINGTON TOWNSHIP
MORROW COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
CASH RECEIPTS			
Local Taxes	\$ 22,652	\$ 74,588	\$ 97,240
Licenses, Permits & Fees	12,078	0	12,078
Special Assessments	0	4,077	4,077
Intergovernmental Receipts	18,055	64,028	82,083
Earnings on Investments	997	118	1,115
Other Receipts	<u>6,642</u>	<u>6,850</u>	<u>13,492</u>
TOTAL CASH RECEIPTS	60,424	149,661	210,085
CASH DISBURSEMENTS			
General Government	72,101	0	72,101
Public Safety	0	34,255	34,255
Public Works	6,403	81,290	87,693
Health	12,276	10,598	22,874
Capital Outlay	<u>4,086</u>	<u>1,313</u>	<u>5,399</u>
TOTAL CASH DISBURSEMENTS	<u>94,866</u>	<u>127,456</u>	<u>222,322</u>
TOTAL CASH RECEIPTS OVER/ (UNDER) CASH DISBURSEMENTS	(34,442)	22,205	(12,237)
Fund Cash Balances, January 1, 2002	<u>34,456</u>	<u>43,008</u>	<u>77,464</u>
Fund Cash Balances, December 31, 2002	<u>\$ 14</u>	<u>\$ 65,213</u>	<u>\$ 65,227</u>
Reserve for Encumbrances, December 31, 2002	<u>\$ 0</u>	<u>\$ 1</u>	<u>\$ 1</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WASHINGTON TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

● **Description of the Entity**

Washington Township, Morrow County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township provides general governmental services including road and bridge maintenance and cemetery maintenance. The Township contracts with the Iberia Volunteer Fire Department to provide fire protection and emergency medical services.

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

● **Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

● **Fund Accounting**

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

- **General Fund** - The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Special Revenue Funds** - These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Cemetery Special Levy Fund - This fund receives property tax money for reconstruction, maintenance and repair of Township cemeteries

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

Fire Special Levy Fund - This fund receives property tax money to provide fire protection services to Township residents.

**WASHINGTON TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Budgetary Process**

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

- **Appropriations** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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. Unencumbered appropriations lapse at year-end.
- **Estimated Resources** - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.
- **Encumbrances** - The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and need not be reappropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

- **Property, Plant and Equipment**

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

2. EQUITY IN POOLED CASH

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

	2003	2002
Demand Deposits	\$ 35,563	\$ 65,227
	\$ 35,563	\$ 65,227

Deposits

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

**WASHINGTON TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 were as follows:

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 102,102	\$ 72,872	\$ (29,230)
Special Revenue	<u>167,215</u>	<u>149,884</u>	<u>(17,331)</u>
TOTAL	<u>\$ 269,317</u>	<u>\$ 222,756</u>	<u>\$ (46,561)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 108,116	\$ 83,602	\$ 24,514
Special Revenue	<u>218,382</u>	<u>168,908</u>	<u>49,474</u>
TOTAL	<u>\$ 326,498</u>	<u>\$ 252,510</u>	<u>\$ 73,988</u>

2002 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 53,922	\$ 60,424	\$ 6,502
Special Revenue	<u>159,004</u>	<u>149,661</u>	<u>(9,343)</u>
TOTAL	<u>\$ 212,926</u>	<u>\$ 210,085</u>	<u>\$ (2,841)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 103,492	\$ 94,866	\$ 8,626
Special Revenue	<u>166,868</u>	<u>127,457</u>	<u>39,411</u>
TOTAL	<u>\$ 270,360</u>	<u>\$ 222,323</u>	<u>\$ 48,037</u>

4. PROPERTY TAX

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

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

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

**WASHINGTON TOWNSHIP
MORROW COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

5. RETIREMENT SYSTEMS

The Township employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Wrongful acts

7. LEGAL COMPLIANCE

Pursuant to Section 117.11 of the Ohio Revised Code, the Independent Public Accountant performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate. The Auditor's recommendations and citations are included in a separate part of this presentation.

Whited Seigneur Sams & Rahe, LLP

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August 4, 2004

Board of Trustees
Washington Township
Morrow County
3900 County Road 29
Mt. Gilead, Ohio 43338

Report on Compliance and on Internal Control Required by *Government Auditing Standards*

We have audited the accompanying financial statements of Washington Township, Morrow County, Ohio (the Township) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated August 4, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated August 4, 2004.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated August 4, 2004.

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

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**WASHINGTON TOWNSHIP
MORROW COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDING NUMBER 2003-001

Ohio Rev. Code Section 5705.34 provides that each taxing authority is to pass a resolution to authorize the necessary tax levies and certify the levies to the county auditor before October 1st.

The Township's minutes did not indicate the passage of this annual resolution in either year. We were presented blank unsigned resolution forms as evidence of compliance. Per inquiry, the Morrow County Auditor indicated that there were no resolutions remitted back to her office and kept on file. We, therefore, concluded that these annual resolutions were never passed by the Board of Trustees and remitted to the Morrow County Auditor.

FINDING NUMBER 2003-002

Ohio Rev. Code Section 5705.36 provides that on or about the first day of each fiscal year, the township clerk is to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. Ohio Rev. Code Section 5705.36 also allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Although estimates had been entered into its computerized accounting system, the Township did not certify the total amount from all sources available via the standard form nor any other form to the Morrow County Auditor. Also, given the uncertified estimates entered into the system, the Motor Vehicle License, Road and Bridge, Cemetery Special, and Street Lighting Funds in 2003 and 2002, the Road and Bridge Special in 2002 and the General and Fire Funds in 2003 were found to have actual receipts less than what was estimated. This means that the Township could have obtained a reduced amended certificate of estimated resources and made a corresponding reduction in appropriated amounts.

FINDING NUMBER 2003-003

Ohio Rev. Code Section 5705.39 provides that the total appropriation from each fund shall not exceed the total estimated revenue. Also, no appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Township, as stated above, never filed a certificate of total estimated resources nor did they file an appropriation resolution with the Morrow County Auditor in 2002 and 2003. However, uncertified receipt estimates and appropriations approved by the Board of Trustees were entered into the Township's computerized accounting system in both years. Given the uncertified estimates and appropriations entered into the system, the General Fund had appropriations exceeding estimated resources in 2002.

**WASHINGTON TOWNSHIP
MORROW COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDING NUMBER 2003-004

Ohio Revised Code Section 5705.10 states in part that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made. In 2003 and 2002, real estate and personal property taxes, homestead and rollback receipts, public utility/personal property reimbursements, and one motor vehicle license payment were incorrectly posted. Fund adjustments have been agreed upon and made during this audit. As a result of these adjustments, the General Fund, Road and Bridge Fund, and the Cemetery-special levy fund have significant negative fund balances at December 31, 2003. A negative fund balance indicates that that money from one fund is being used to cover the expenses of another fund.

We recommend that taxes, homestead and rollback receipts, motor vehicle license payments, and public utility/personal property reimbursements be distributed among funds correctly as shown on the County Auditor tax settlement sheets or other accompanying receipt documentation.



**Auditor of State
Betty Montgomery**

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WASHINGTON TOWNSHIP

MORROW COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 12, 2004**