



Dave Yost • Auditor of State

WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Washington Township
Tuscarawas County
1958 Post Boy Road SW
Newcomerstown, Ohio 43832

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Washington Township, Tuscarawas County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification over Fund Balances

During a prior audit covering 2011 and 2010, the Township paid health insurance for the Fiscal Officer and Trustees totaling \$44,765 and \$39,107, respectively, from the Gasoline Fund. During 2013 and 2012, the Township paid health insurance for the Fiscal Officer and Trustees totaling \$4,839 and \$10,557, respectively, from the Gasoline Fund. Ohio Rev. Code § 5735.27(A)(5)(d) requires gasoline tax revenue to be used for the purposes of planning, constructing, maintaining, widening, and reconstructing the public roads and highways within the township, paying principal, interest, and charges on obligations incurred pursuant to Ohio Rev. Code § 5531.09, and paying costs apportioned to the township under Ohio Rev. Code § 4907.47. These employees did not perform work consistent with allowable uses of Gasoline Tax Fund.

During a prior audit covering 2011 and 2010, the Township received state property tax reimbursements for the road and bridge levy totaling \$729 and \$676, respectively, in the General Fund. During 2013 and 2012, the Township received state property tax reimbursements for the road and bridge levy totaling \$778 and \$401, respectively, in the General Fund. Ohio Rev. Code § 5705.10(C) requires revenue derived from special levies to be posted to the special revenue fund for which that levy was made.

During a prior audit covering 2011 and 2010, the Township received a \$3,124 reimbursement for an expenditure made from the Road and Bridge Fund; however, the money was posted to the General Fund. During 2012, the Township received a \$1,963 reimbursement for an expenditure made from the General Fund; however, the money was posted to the Gasoline Tax Fund.

Additionally, during 2013, the Township paid fire contract and general advertisement fees of \$2,989 from the OPWC fund. Ohio Rev. Code § 5705.10(l) requires that money paid into any fund shall be used only for the purposes for which such fund is established. The OPWC Fund was funded by payments from the Tuscarawas County Engineer in lieu of support from OPWC. OPWC monies are used to pay for various infrastructure improvements. These payments were not consistent with the fund's purpose.

Had the Township agreed to these adjustments, the effect would have resulted in deficit General Fund cash balances at December 31, 2013 and 2012 totaling \$106,663 and \$74,569, respectively. The effects would have resulted in Special Revenue Fund cash balances at December 31, 2013 and 2012 totaling \$150,456 and \$155,403.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matters described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Washington Township, Tuscarawas County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

December 10, 2014

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**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$101,487	\$11,211	\$112,698
Charges for Services		475	475
Licenses, Permits and Fees	37		37
Intergovernmental	17,485	91,635	109,120
Contributions and Donations		100	100
Miscellaneous	3,222	275	3,497
	<u>122,231</u>	<u>103,696</u>	<u>225,927</u>
 Cash Disbursements			
Current:			
General Government	113,426		113,426
Public Works	29,557	93,396	122,953
Other	6,783	3,354	10,137
Debt Service:			
Principal Retirement		10,150	10,150
Interest and Fiscal Charges		455	455
	<u>149,766</u>	<u>107,355</u>	<u>257,121</u>
<i>Total Cash Disbursements</i>	<u>149,766</u>	<u>107,355</u>	<u>257,121</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(27,535)</u>	<u>(3,659)</u>	<u>(31,194)</u>
 Other Financing Receipts			
Refund of Prior Year Disbursements	4,047		4,047
	<u>4,047</u>		<u>4,047</u>
<i>Total Other Financing Receipts</i>	<u>4,047</u>		<u>4,047</u>
<i>Net Change in Fund Cash Balances</i>	<u>(23,488)</u>	<u>(3,659)</u>	<u>(27,147)</u>
<i>Fund Cash Balances, January 1</i>	<u>22,827</u>	<u>53,060</u>	<u>75,887</u>
 Fund Cash Balances, December 31			
Restricted for Public Works		46,895	46,895
Restricted for Health		2,506	2,506
Unassigned (Deficit)	(661)		(661)
	<u>(661)</u>	<u>49,401</u>	<u>48,740</u>
<i>Fund Cash Balances, December 31</i>	<u>(661)</u>	<u>\$49,401</u>	<u>\$48,740</u>

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

WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY

STATEMENT OF FUND BALANCE (CASH BASIS)
AGENCY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Agency</u>
<i>Fund Cash Balances, January 1</i>	<u>\$2,858</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,858</u></u>

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

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$93,555	\$10,744	\$104,299
Licenses, Permits and Fees	37		37
Intergovernmental	70,500	106,454	176,954
Miscellaneous	4,227	100	4,327
<i>Total Cash Receipts</i>	<u>168,319</u>	<u>117,298</u>	<u>285,617</u>
Cash Disbursements			
Current:			
General Government	116,528		116,528
Public Safety	3,698		3,698
Public Works		57,523	57,523
Health	9,997	1,167	11,164
Other		20,510	20,510
Capital Outlay	17,176		17,176
Debt Service:			
Principal Retirement	18,050		18,050
Interest and Fiscal Charges	1,768		1,768
<i>Total Cash Disbursements</i>	<u>167,217</u>	<u>79,200</u>	<u>246,417</u>
<i>Excess of Receipts Over Disbursements</i>	<u>1,102</u>	<u>38,098</u>	<u>39,200</u>
<i>Fund Cash Balances, January 1</i>	<u>21,725</u>	<u>14,962</u>	<u>36,687</u>
Fund Cash Balances, December 31			
Restricted for Public Works		51,072	51,072
Restricted for Health		1,988	1,988
Assigned for Subsequent Year Appropriations	22,827		22,827
<i>Fund Cash Balances, December 31</i>	<u>\$22,827</u>	<u>\$53,060</u>	<u>\$75,887</u>

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

WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY

STATEMENT OF FUND BALANCE (CASH BASIS)
AGENCY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Agency</u>
<i>Fund Cash Balances, January 1</i>	<u>\$2,858</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,858</u></u>

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

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Washington Township, Tuscarawas County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with Newcomerstown Emergency Rescue Squad, Inc. to provide fire protection services.

The Township participates in one jointly governed organization and a public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) risk pool, a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Jointly Governed Organizations:

Tri-County Ambulance District (the Ambulance District)

The Ambulance District is a body corporate and politic formed by the Township and several other political subdivisions under Ohio Rev. Code § 505.375 to provide emergency medical services.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits and Investments

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

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

3. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for a performance bond.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. 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 approve estimated resources.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not use the encumbrance method of accounting. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into three classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

2. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

3. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

H. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2013	2012
Demand deposits	\$44,695	\$71,842
Total deposits	44,695	71,842
STAR Ohio	6,903	6,903
Total investments	6,903	6,903
Total deposits and investments	\$51,598	\$78,745

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$125,535	\$126,278	\$743
Special Revenue	96,872	103,696	6,824
Total	\$222,407	\$229,974	\$7,567

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$149,430	\$149,766	(\$336)
Special Revenue	141,961	107,355	34,606
Fiduciary	2,858	0	2,858
Total	\$294,249	\$257,121	\$37,128

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$122,505	\$168,319	\$45,814
Special Revenue	123,200	117,298	(5,902)
Total	\$245,705	\$285,617	\$39,912

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$144,230	\$167,217	(\$22,987)
Special Revenue	138,161	84,010	54,151
Fiduciary	2,858	0	2,858
Total	\$285,249	\$251,227	\$34,022

Contrary to Ohio Rev. Code § 5705.41(B), budgetary expenditures exceeded appropriation authority in the General Fund by \$336 for the year ended December 31, 2013 and by \$22,987 for the year ended December 31, 2012. Contrary to Ohio Rev. Code § 5705.10, at December 31, 2013, the General Fund had a cash deficit balance of \$661. Contrary to Ohio Rev. Code §§ 5705.10(C), 5705.10(D), 3315.01 and 5705.10(I) revenues were not always posted to required funds and funds were not always utilized for the purposes for which such funds were established. Contrary to Ohio Rev. Code § 5735.27(A)(5)(d), health insurance benefits were inappropriately paid from the Gas Tax Fund because of insufficient documentation. Lastly, contrary to Ohio Rev. Code § 5705.10(I), the General Fund, Motor Vehicle License Tax Fund and Gasoline Tax Fund incurred negative cash balances.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental

Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
First National Bank of Dennison - Backhoe Loan	\$10,162	4.42%

The backhoe loan was issued in March of 2009 for \$50,762. The loan will be paid off in annual payments of \$10,150 plus interest. The final payment will be for \$10,162 plus interest of \$455 and payment will be made in March of 2014.

6. Retirement System

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

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Retirement System (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has not paid all contributions required through December 31, 2013.

7. Risk Management

Risk Pool Membership

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to § 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2012 and 2013.

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	<u>(6,687,193)</u>	<u>(7,968,395)</u>
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. Jointly Governed Organization

Tri-County Ambulance District (the Ambulance District)

The Ambulance District provides emergency medical services for the Township. The Ambulance District is directed by an appointed six-member Board of Directors. One board member is appointed by each political subdivision within the Ambulance District. Those subdivisions are Oxford, Salem, Perry, and Washington Townships; and the Villages of Port Washington and Newcomerstown. The Ambulance District provides emergency medical services to citizens within those areas. During 2013 and 2012, the Township paid \$1,620 in total to the Ambulance District.

9. Health Insurance

The Township provides health insurance to all employees through Tuscarawas County (County). The Township is invoiced their monthly premiums and the premiums are paid to the County. All risk transfers to the County.

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Dave Yost • Auditor of State

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

Washington Township
Tuscarawas County
1958 Post Boy Road SW
Newcomerstown, Ohio 43832

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Washington Township, Tuscarawas County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated December 10, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We qualified our opinion on the General Fund and Special Revenue Fund types because adjustments for improperly recorded disbursements and revenue in unallowable funds were not posted.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider Findings 2013-002 through 2013-006 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2013-001 described in the accompanying Schedule of Findings to be a significant deficiency.

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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, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2013-003 through 2013-011.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

December 10, 2014

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

Finding Number 2013-001

Bank Reconciliation and STAR Ohio Account – Significant Deficiency

The Township presented financial statements that excluded the balance of its State Treasury Asset Reserve of Ohio (STAR Ohio) investment account for audit. The records were returned to the Township for correction. The corrected financial statements included the December 31, 2011 balance of \$6,902 within the fund balances and carried this balance through 2012 and 2013. The Township maintained it was unaware of the account and did not document interest earned, and consequently, did not correctly report the balance of their STAR Ohio account or properly reconcile its bank to book balances. December 31, 2013 and December 31, 2012 balances were \$6,911 and \$6,908, respectively. While total interest earned of \$9 was not significant, the exclusion of an entire investment account could result in an increased risk of theft and fraudulent activity.

The Township should perform, at a minimum, the following:

- Ensure that the current Fiscal Officer is the signatory and has access to the STAR Ohio account;
- Review signatories for all financial institution accounts to determine only appropriate Township personnel are included as eligible signatories;
- Report interest earned on all accounts;
- Correct its internal records to account for correct balances;
- Each month, the Township should properly reconcile bank balances to book balances to ensure completeness of activity;
- After the reconciliations are performed, the reconciliations should be presented at the Board of Trustees monthly meetings and be formally approved.

This will help ensure only appropriate Township personnel have access to financial institution accounts, as well as mitigate the risk of fraudulent activity within the bank accounts.

Official's Response: The client has elected not to respond.

Finding Number 2013-002

Financial Reporting – Material Weakness

As a result of audit procedures performed, errors were noted in the Township's financial statements that required audit reclassifications for which the financial statements have been adjusted:

- The Township incorrectly reported restricted fund balances of (\$661) and \$22,827 in the General Fund in 2013 and 2012, respectively. The classification of fund balances should follow Governmental Accounting Standards Board (GASB) Statement 54 and funds should be classified as either non-spendable, restricted, committed, assigned or unassigned. The restricted fund balance classification should be used when funds receive revenue sources restricted by external parties. However, the General Fund received no restricted revenue nor was funding received in a non-spendable format (such as unclaimed monies) or in a committed format (when revenue is committed by resolution by the Board of Trustees).

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-002 (Continued)

Financial Reporting – Material Weakness (Continued)

- For 2013, the General Fund reported a negative fund balance which was required to be reported as unassigned under GASB 54. For 2012, the entire fund balance should have been reported as assigned as the entire ending balance was appropriated in the subsequent year to cover permanent appropriations exceeding estimated revenue from the first amended certificate of the subsequent year; For 2013, Principal Retirement and Interest and Fiscal Charges disbursements of \$10,150 and \$455, respectively, were incorrectly reported as Other Disbursements in the Gasoline Tax Fund;
- For 2012, Principal Retirement and Interest and Fiscal Charges disbursements of \$18,050 and \$1,768, respectively, were incorrectly reported as General Government Disbursements in the General Fund;
- For 2013, Public Works disbursements totaling \$89,987 in the Motor Vehicle and License Tax Fund, Gasoline Tax Fund and Road and Bridge Fund were incorrectly reported as either General Government or Other Disbursements;
- For 2013, Public Works disbursements totaling \$28,854 in the General Fund were incorrectly reported as Other Disbursements;
- For 2012, the General Fund was used to purchase a building totaling \$17,176. Disbursements should have been reported as Capital Outlay but were incorrectly reported as General Government Disbursements;
- For 2012, Public Works disbursements totaling \$56,810 in the Motor Vehicle and License Tax Fund and Gasoline Tax Fund were incorrectly reported as either General Government or Other Disbursements. Health disbursements totaling \$1,167 in the Cemetery Fund were incorrectly identified as Public Works disbursements;
- Estate Tax revenue of \$2,755 and \$49,355 in the General Fund were incorrectly Identified as Property and Other Local taxes in 2013 and 2012, respectively. Estate Tax revenue is not a locally levied tax and was received through the collection of another governmental entity. As a result, this revenue should be reported as Intergovernmental Revenue.
- Refunds totaling \$4,047 were improperly classified as Property and Other Local Taxes within the General Fund in 2013, when these receipts should have been classified as Refund of Prior Year Disbursements.

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. During 2013 and 2012, the Fiscal Officer attached a financial statement recap sheet to the minutes of each meeting. The recap sheet documented each receipt, disbursement, and aggregated end of month balance for the Township. The recap sheet was generally signed by the Fiscal Officer and Board Chairman; however, there was no evidence in the minutes that the recap sheet was formally reviewed and approved by all Board Trustees. Additionally, the recap sheet did not provide adequate detailed information of the financial activity of each fund. As the Township has one employee performing the finance function, the Township lacked proper segregation within the finance function to create an effective control environment. Board oversight of all financial activity is essential to compensate for these risks and create an effective control environment.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate and to improve the Board oversight function, the Fiscal Officer should submit monthly financial reports that include, at a minimum, the following information:

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-002 (Continued)

Financial Reporting – Material Weakness (Continued)

- Revenue Ledgers, by fund, with the details of each receipt including receipt number, amount, purpose, classification;
- Appropriation Ledgers, by fund and object code, with details of each disbursement, check number amount, and classification;
- Monthly invoices for approval including information on what fund the invoice will be paid from;
- Cash journals detailing the cash balance by each fund and in aggregate;
- Detailed bank to book reconciliation; and,
- Budget versus actual reports.

In addition, the Board of Trustees should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board, to identify and correct errors and omissions. The monthly review of the above listed reports, along with a final review of the statements and notes, will support a more appropriate control environment that will help deter, prevent and detect potential fraudulent activity. This will also help the Board effectively monitor and assess, on an on-going basis, the financial position of the Township, which will assist the Board in the decision making process.

Official's Response: The client has elected not to respond.

Finding Number 2013-003

Ohio Rev. Code § 117.38 - Noncompliance and Material Weakness

Ohio Rev. Code § 117.38 requires that each public office file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall contain the amount of collections and receipts, and accounts due from each source and the amount of expenditures for each purpose.

The 2013 and 2012 Cash Basis Annual Financial Reports (Annual Report) were prepared by the Township and presented for audit. Errors and omissions were identified within each report as follows:

- The Township had a Performance Bond Agency Fund which should be identified as a Fiduciary Fund on the financial statements. For 2013, this fund was included with the Governmental Special Revenue Funds. As a result, the beginning and ending balance of \$2,858 were incorrectly included in the wrong fund type;
- The Combined Statement on the 2012 Annual Report did not report General Fund disbursements. The amount presented was the total General Fund revenue. 2012 General Fund disbursements were \$167,217 as obtained from the Township's accounting records – the Cash Journal and Appropriations Ledger;
- The Combined Statement on the 2012 Annual Report reported certain revenues within the disbursements classifications for the Special Revenue Funds. Special Revenue Fund disbursements were only reported on the Combining Statement and not on the Combined Statement. This led to the following discrepancies:

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-003 (Continued)

Ohio Rev. Code § 117.38 - Noncompliance and Material Weakness (Continued)

- Intergovernmental Revenue of \$6,661 was reported as Public Works Disbursements on the Combined Statement;
- Miscellaneous Revenue of \$100 was reported as Human Services Disbursements on the Combined Statement;
- \$78,487 in disbursements were not reported on the Combined Statement but were reported on the Combining Statement. This included disbursements of \$2,645, \$74,512, \$163 and \$1,167 in the Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund and Cemetery Fund, respectively.
- Financial statements within in the Annual Report did not properly reconcile.
- For 2013, Road and Bridge Fund revenue of \$11,211 was identified as Property and Other Local Taxes on the Combined Financial Statement but were incorrectly identified as Intergovernmental Revenue in the Combining Financial Statement;
- For 2012, Road and Bridge Fund revenue of \$10,744 was identified as Property and Other Local Taxes on the Special Revenue Funds Combining Financial Statement but were incorrectly identified as Intergovernmental Revenue in the Combined Financial Statement;
- For 2013, the OPWC Fund activity was included in the Combined Financial Statement but was excluded from the Special Revenue Combining Financial Statement. Activity including opening equity of \$6,903, revenue of \$275, disbursements of \$3,409 and ending equity of \$3,769;
- For 2012, the OPWC Fund activity was included in the Combined Financial Statement but was excluded from the Special Revenue Combining Financial Statement. Activity including opening equity of \$955, revenue of \$6,661, disbursements of \$713 and ending equity of \$6,903;
- Additionally, the 2012 Annual Report was not mathematically accurate as fund balances were correctly reported on the Combined Statement even though disbursements were not correctly reported.

We were able to use the Township's accounting records which consisted of Cash Journals, Receipt Ledgers and Appropriations Ledger as support for the actual financial information of the Township.

Sound financial reporting is the responsibility of the Fiscal Officer and Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the Township's Annual Reports are correct, the Township adopt policies and procedures for the review of these reports prior submission. These procedures should include, but are not limited to, the following:

- Review of the mathematical accuracy of each statement;
- Reconciliation of the Special Revenue Funds activity on the Combined Statement to the funds reported on the Combining Statement;
- Reconciliation of all information to the Township's manual accounting records to ensure the completeness and accuracy of the Annual Reports;
- Revenue of the classification of each fund to determine they are reported within the correct fund type (Governmental Funds including General, Special Revenue, Capital Projects, Debt Service and Permanent Fund types; proprietary funds including Enterprise and Internal Service fund types; fiduciary funds including Agency and Trust Fund types).

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-003 (Continued)

Ohio Rev. Code § 117.38 - Noncompliance and Material Weakness (Continued)

This will help ensure the accuracy and completeness of the Annual Reports prepared and submitted by the Township.

The financial statements have been adjusted utilizing the accounting records of the Township.

Official's Response: The client has elected not to respond.

Finding Number 2013-004

Ohio Rev. Code § 5705.10(C), Ohio Rev. Code § 5705.10(D), Ohio Rev. Code § 3315.01 and Ohio Rev. Code § 5705.10(I) – Noncompliance, Finding for Adjustment and Material Weakness

Ohio Rev. Code § 5705.10(C) requires that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. Ohio Rev. Code § 5705.10(D) requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose shall be paid into a special fund for such purpose except as otherwise provided by resolution adopted pursuant to Ohio Rev. Code § 3315.01. Ohio Rev. Code § 5705.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund is established.

During 2013 and 2012, the following errors were noted:

- 2013 real estate homestead and rollback and manufactured home homestead and exemption reimbursements for the Road and Bridge Fund totaling \$778 were recorded in the General Fund;
- 2012 fall manufactured home taxes along with real estate homestead and rollback and manufactured home homestead and exemption reimbursements for the Road and Bridge Fund totaling \$401 were recorded in the General Fund;
- During the prior audit, a finding for recovery was issued against the former fiscal officer for \$1,963 for unallowable reimbursements paid from the General Fund. The Township received reimbursement in 2012 and reported the revenue in the Gasoline Tax Fund instead of the General Fund;
- The Township received funding in lieu of Ohio Public Works Commission (OPWC) funding from the Tuscarawas County Engineer in a special revenue fund. OPWC funding was generally used for various improvements to infrastructure. During 2013, the Township made payments totaling \$2,989 from this fund for the advertisement of the availability of the 2012 financial report and for the Township's fire contract with the Newcomerstown Emergency Rescue Squad for fire protection. These disbursements were not for the purpose of this fund / funding and should have been made from the General Fund instead of the OPWC fund.

Additionally, during the prior reporting period of 2011 and 2010, the Township received state property tax reimbursements for the Road and Bridge fund totaling \$729 and \$676, respectively that were recorded in the General Fund. Also, during 2010, the Township received a \$3,124 reimbursement for an expenditure made from the Road and Bridge Fund; though, the money was posted to the General Fund. No corrections were made in 2013 or 2012.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-004 (Continued)

Ohio Rev. Code § 5705.10(C), Ohio Rev. Code § 5705.10(D), Ohio Rev. Code § 3315.01 and Ohio Rev. Code § 5705.10(I) – Noncompliance, Finding for Adjustment and Material Weakness (Continued)

As a result, the financial statements were misstated and the affected fund's cash balances were over or understated.

The Township should report all revenue derived from the road and bridge levy into the Road and Bridge Fund. Additionally, the Township should receive reimbursements in the fund from which the disbursement originated. Also, the Township should review each fund and its purpose to ensure that they are knowledgeable of what expenditures can be paid from each fund. Additionally, to help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Board of Trustees to help identify and correct errors and omissions.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 5705.10(C), Ohio Rev. Code § 5705.10(D) and Ohio Rev. Code § 5705.10(I) a Finding for Adjustment for public monies incorrectly recorded is hereby issued against the General Fund and in favor of the Road and Bridge Fund in the amount of \$5,708; a Finding for Adjustment for public monies incorrectly recorded is hereby issued against the Gasoline Tax Fund and in favor of the General Fund in the amount of \$1,963 and a Finding for Adjustment for public monies incorrectly expended is hereby issued against the General Fund and in favor of the OPWC Fund in the amount of \$2,989.

Official's Response: The client has elected not to respond.

Finding Number 2013-005

Ohio Rev. Code § 5735.27(A)(5)(d) – Noncompliance, Finding for Adjustment and Material Weakness

Ohio Rev. Code § 5735.27 (A)(5)(d) requires gasoline tax monies received by the Township to be used for the purposes of planning, constructing, maintaining, widening, and reconstructing the public roads and highways within the township, paying principal, interest, and charges on obligations incurred pursuant to Ohio Rev. Code § 5531.09, and paying costs apportioned to the township under Ohio Rev. Code § 4907.47.

During 2013 and 2012, health insurance benefits on behalf of the Trustees and Fiscal Officer were paid from Gasoline Tax Fund in the amounts of \$4,839 and \$10,557. Fringe benefits can only be paid from the Gasoline Tax for these employees if they perform work related to the purpose of the fund. Ohio Rev. Code § 507.09 and § 507.24(C) document the requirements for Trustee and Fiscal Officer salaries to be paid from funds other than the General Fund. However, during 2013 and 2012, the Trustee and Fiscal Officer were completely paid from the General Fund. Therefore, all related fringe benefits should have been paid from the General Fund.

Additionally, during the prior reporting period of 2011 and 2010, the Township paid health insurance as a benefit on behalf of the Trustees and Fiscal Officer in the amounts of \$39,107 and \$44,765 from the Gasoline Tax Fund in 2010 and 2011, respectively.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-005 (Continued)

Ohio Rev. Code § 5735.27(A)(5)(d) – Noncompliance, Finding for Adjustment and Material Weakness (Continued)

During 2011 and 2010, however, the Trustees and Fiscal Officer were paid completely from the General Fund. All related fringe benefits should have been paid from the General Fund.

As a result, the financial statements were misstated and the affected fund's cash balances were over or understated.

The Township should pay health insurance benefits out of the General Fund with the exception that the Trustees and Fiscal Officer perform work related to the purpose of other funds. Then, the Township should review Ohio Rev. Code § 507.09, § 507.24(C) and Auditor of State Bulletin 2011-007 on the requirements related to charging salary and related fringe benefits from other funds. Any fringe benefits paid from funds other than the General Fund should be proportionate to the salary paid from it. This will help ensure revenue is expended for the purpose for which it was received.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 5735.27(A)(5)(d) a Finding for Adjustment for public monies incorrectly expended is hereby issued against the General Fund and in favor of the Gasoline Tax Fund in the amount of \$99,268.

Official's Response: The client has elected not to respond.

Finding Number 2013-006

Ohio Admin. Code § 117-2-02(C)(1) – Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(C)(1) requires all local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system in order to effectively maintain the accounting and budgetary records. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Township utilized a manual financial accounting system which was capable of integrating budgetary and actual financial information at the legal level of budgetary control. The Receipts Ledgers included columns for recording estimated revenue and receivable balances; the Appropriations Ledgers included columns for recording and appropriations and unspent appropriations. However, the Township did not integrate the required estimated revenue and appropriations into these ledgers. As a result, the following budgetary activity was not reported within their manual financial accounting system:

- 2013 estimated revenue of \$125,535 and \$96,872 in the General Fund and Special Revenue Funds, respectively;
- 2012 estimated revenue of \$122,505 and \$123,200 in the General Fund and Special Revenue Funds, respectively;
- 2013 appropriations of \$149,430, \$141,961 and \$2,858 in the General Fund, Special Revenue Funds and Fiduciary Fund, respectively;
- 2012 appropriations of \$144,230, \$138,160 and \$2,858 in the General Fund, Special Revenue Funds and Fiduciary Fund, respectively.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-006 (Continued)

Ohio Admin. Code § 117-2-02(C)(1) – Noncompliance and Material Weakness (Continued)

Inaccurately posted budgetary information could lead to errors in the reporting of budgetary information in the notes to the financial statements. Additionally, the Board was not provided with budget versus actual reports throughout the year which would provide the Board with essential information in making informed financial decisions.

The Township should integrate all budgetary information, including Tuscarawas County Budget Commission approved estimated revenue and Board approved appropriations, into their manual financial accounting system. Once integrated, the Board should review budget versus actual information at each meeting and approve these reports. This will help to ensure that budgetary amounts are accurately reported and provide accurate budget versus actual comparisons allowing the Board of Trustees to make informed financial decisions.

The notes to the financial statements have been corrected to report approved estimated revenue and appropriations.

Official's Response: The client has elected not to respond.

Finding Number 2013-007

Ohio Rev. Code Chapter 133 - Noncompliance

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. § 133.22 allows a subdivision to issue anticipatory securities; § 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision; § 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct; and § 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

The Board of Trustees and Fiscal Officer signed a bank loan with First National Bank of Dennison for a 2009 backhoe loan totaling \$50,762. This debt is a bank loan between a banking institution and the Township, and as such, the note does not meet the requirements set forth in Ohio Revised Code Chapter 133.

The Ohio Rev. Code contains various methods of incurring debt for Townships. Installment loans with banking institutions are not legal methods of debt for Townships. The Board of Trustees should consult with the Township's legal counsel prior incurring future debt.

Official's Response: The client has elected not to respond.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-008

Ohio Rev. Code § 5705.10(I) - Noncompliance

Ohio Rev. Code § 5705.10(I) requires that monies paid into any fund be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

Throughout 2013, the General Fund incurred negative cash fund balances between (\$102) and (\$662) and had a negative cash fund balance of (\$662) at December 31, 2013. Additionally, throughout 2012, the MVL fund incurred negative cash fund balances between (\$371) and (\$5,953) and the Gasoline Tax Fund incurred a negative cash fund balance of (\$2,106) at January 31, 2012. As a result, monies from other funds were used to cover the obligations incurred by these funds, which may not be allowable based upon each fund's restriction or purpose.

The Township should monitor receipts and disbursements on a regular basis to ensure a sufficient fund balance exists before authorizing the expenditure of funds. Additionally, the Township should also review the restrictions on the use of revenue reported in each fund as indicated in the Ohio Revised Code in order to gain a better understanding of each fund's purpose and determine whether restricted sources can be utilized prior to making disbursements from unrestricted sources of revenue, such as the General Fund. This will allow the Township to utilize restricted fund resources better before needing to utilize the resources of the General Fund. Also, the Township should establish a plan to curtail unnecessary spending in order to eliminate negative fund balances.

Official's Response: The client has elected not to respond.

Finding Number 2013-009

Ohio Rev. Code § 5705.41(B) - Noncompliance

Ohio Rev. Code § 5705.41(B) requires that no subdivision or taxing unit expend money unless it has been appropriated.

Total disbursements and outstanding commitments exceeded appropriations in the General Fund by \$336 and \$22,987 in 2013 and 2012, respectively. As a result, there was an increased risk of the Township incurring deficit cash balances.

The Board of Trustees should approve supplemental appropriations so that disbursements are within the Township's approved appropriations (budgeted disbursements). However, the Township should only approve supplemental appropriations when supplemental appropriations and previously approved appropriations are within estimated resources on the Amended Certificate of Estimated Resources (or if a new Amended Certificate can be submitted due to increased expected revenue). When disbursements are expected to exceed appropriations and additional appropriations cannot be approved as the new total appropriations would exceed estimated resources, the Township should review their spending plan to determine the necessity of purchases and where cuts can be made. This will help ensure the Township does not expend excessive amounts and allow the Township to maintain surplus cash balances.

Official's Response: The client has elected not to respond.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-010

Ohio Rev. Code § 5705.41(D) - Noncompliance

Ohio Rev. Code § 5705.41(D) requires that no subdivision or taxing unit 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 that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's Fiscal Officer. Every 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 §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "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 the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 Township.
2. Blanket Certificate – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal 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.
3. 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.

During 2013 and 2012, the Township did not utilize purchase orders for any expenditures. Failure to utilize purchase orders, which certify the availability of funds, can result in overspending funds and negative cash fund balance. The Fiscal Officer should issue purchase orders before entering into the purchase commitment.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-010 (Continued)

Ohio Rev. Code § 5705.41(D) – Noncompliance (Continued)

The Fiscal Officer should certify purchases to which § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should also sign the certification prior to the Township incurring a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response: The client has elected not to respond.

Finding Number 2013-011

26 USC § 3402 - Noncompliance

26 USC § 3402 states that except as otherwise provided in this section, every employer making payments of wages shall deduct and withhold such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary. 26 USC § 3102(a) requires Medicare tax to be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid. 26 USC § 3101(b) established the contribution rate at 1.45% of wages. Employers are required to contribute an equal share of Medicare tax at 1.45% of wages. Furthermore, 26 USC § 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld.

The following items were noted in 2013 and 2012:

- The Township paid First and Second Quarter 2013 Federal taxes in September 2013 after the deadline;
- The Township paid Third Quarter 2012 Federal taxes in December 2012 after the deadline;
- The Township overpaid Second Quarter 2012 taxes by \$164 as amounts not withheld were documented as withholdings by the Township;
- The Township withheld Medicare taxes for its road worker and part time worker at 1.5% of wages instead of 1.45%. As a result, the Township underpaid employees on their net pay;
- All four 2013 Form 941s documented Medicare as being paid at .9%, which is the additional Medicare Tax withholding on employees earning at least \$125,000 and meeting certain other criteria. Medicare should have been paid in at 2.9% of wages. As a result, the Township underpaid the Internal Revenue Service by \$1,345.

Incorrect calculation and payment of Federal incomes taxes, including Medicare, could result in significant liabilities for the Township including interest and penalties.

The Township should review IRS guidelines regarding when payments are required along with reviewing the correct Medicare employee and employer rates. Additionally, the Township should review their internal control procedures and tracking of all tax withholdings and payments to ensure that only actual Federal withholdings are being paid. Medicare should be deducted from eligible employees at the proper rate and tracked by the Township within their payroll records.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-011 (Continued)

26 USC § 3402 – Noncompliance (Continued)

All Federal taxes should be paid promptly at the end of each quarter and at the correct rates. This will help ensure the proper withholdings are paid; payments are prompt so that interest and penalties are not incurred, and employees are not having more taxes deducted than required.

This matter will be referred to the Internal Revenue Service for whatever action is deemed necessary.

Official's Response: The client has elected not to respond.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-001	Ohio Rev. Code § 5705.41(D) – Township did not utilize purchase orders as required.	No	Not Corrected; See Schedule of Finding 2013-010.
2011-002	Ohio Rev. Code § 117.38 – Township did not file accurate annual reports as required.	No	Not Corrected, See Schedule of Finding 2013-003.
2011-003	Ohio Rev. Code § 5705.41(B) – Expenditures and Commitments exceeded Appropriations.	No	Not Corrected, See Schedule of Finding 2013-009.
2011-004	26 USC § 3402 – The Township did not pay Federal income tax withholdings.	No	Not Corrected, See Schedule of Finding 2013-011.
2011-005	Ohio Rev. Code Chapter 133 – The Township had unallowable bank loans.	No	Not Corrected, See Schedule of Finding 2013-007.
2011-006	Ohio Rev. Code § 149.43B) – Finding for Recovery for \$1,963 for unallowable expenditures.	Yes	Finding No Longer Valid
2011-007	Financial Reporting – The Township had material adjustments and reclassifications to their financial statements.	No	Not Corrected, See Schedule of Finding 2013-002.

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Dave Yost • Auditor of State

WASHINGTON TOWNSHIP

TUSCARAWAS 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
DECEMBER 23, 2014**