



Dave Yost • Auditor of State

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Waterford Township
Washington County
P.O. Box 146
Waterford, Ohio 45786-0146

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Waterford Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2014 and 2013.

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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis of 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, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Waterford Township, Washington County, Ohio, as of December 31, 2014 and 2013, 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 permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2015, 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

November 2, 2015

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$217,127	\$778,183	\$0	\$995,310
Licenses, Permits and Fees	0	19,014	0	19,014
Intergovernmental	52,902	174,348	0	227,250
Special Assessments	0	6,225	0	6,225
Earnings on Investments	595	193	15	803
Miscellaneous	43,675	900	0	44,575
<i>Total Cash Receipts</i>	<u>314,299</u>	<u>978,863</u>	<u>15</u>	<u>1,293,177</u>
Cash Disbursements				
Current:				
General Government	152,989	95,143	0	248,132
Public Safety	0	150,201	0	150,201
Public Works	2,000	689,307	0	691,307
Health	84,644	0	0	84,644
<i>Total Cash Disbursements</i>	<u>239,633</u>	<u>934,651</u>	<u>0</u>	<u>1,174,284</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>74,666</u>	<u>44,212</u>	<u>15</u>	<u>118,893</u>
Other Financing Receipts (Disbursements)				
Other Financing Uses	(2,785)	0	0	(2,785)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,785)</u>	<u>0</u>	<u>0</u>	<u>(2,785)</u>
<i>Net Change in Fund Cash Balances</i>	71,881	44,212	15	116,108
<i>Fund Cash Balances, January 1</i>	<u>39,295</u>	<u>641,365</u>	<u>6,023</u>	<u>686,683</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	3,228	3,228
Restricted	0	636,407	2,810	639,217
Committed	0	49,170	0	49,170
Assigned	69,306	0	0	69,306
Unassigned (Deficit)	41,870	0	0	41,870
<i>Fund Cash Balances, December 31</i>	<u>\$111,176</u>	<u>\$685,577</u>	<u>\$6,038</u>	<u>\$802,791</u>

**WATERFORD TOWNSHIP
WASHINGTON 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	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$161,444	\$591,454	\$0	\$752,898
Charges for Services	50	0	0	50
Licenses, Permits and Fees	0	19,559	0	19,559
Intergovernmental	129,342	176,561	0	305,903
Special Assessments	0	5,889	0	5,889
Earnings on Investments	528	162	24	714
Miscellaneous	1,083	6,300	0	7,383
<i>Total Cash Receipts</i>	<u>292,447</u>	<u>799,925</u>	<u>24</u>	<u>1,092,396</u>
Cash Disbursements				
Current:				
General Government	204,194	61,301	0	265,495
Public Safety	0	108,399	0	108,399
Public Works	19,622	322,066	0	341,688
Health	73,999	1,400	0	75,399
Capital Outlay	0	156,207	0	156,207
<i>Total Cash Disbursements</i>	<u>297,815</u>	<u>649,373</u>	<u>0</u>	<u>947,188</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,368)</u>	<u>150,552</u>	<u>24</u>	<u>145,208</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	2,000	0	0	2,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>2,000</u>	<u>0</u>	<u>0</u>	<u>2,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(3,368)</u>	<u>150,552</u>	<u>24</u>	<u>147,208</u>
<i>Fund Cash Balances, January 1</i>	<u>42,663</u>	<u>490,813</u>	<u>5,998</u>	<u>539,474</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	3,228	3,228
Restricted	0	435,807	2,795	438,602
Committed	0	205,558	0	205,558
Assigned	38,185	0	0	38,185
Unassigned (Deficit)	1,110	0	0	1,110
<i>Fund Cash Balances, December 31</i>	<u><u>\$39,295</u></u>	<u><u>\$641,365</u></u>	<u><u>\$6,023</u></u>	<u><u>\$686,683</u></u>

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

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 Waterford Township, Washington 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 the Village of Beverly for fire protection services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool. Note 7 to the financial statements provides additional information for this entity

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

The Township had one primary, interest bearing checking account during the audit period.

D. 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:

1. General Fund

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

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

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Township's programs (for the benefit of the Township or its citizenry). The Township had six cemetery bequest funds classified as Permanent Funds. These funds received interest earned on the principle invested in the Township's interest-bearing checking account.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five 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. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. 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.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. 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.

5. 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.

2. Equity in Pooled Deposits

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

	<u>2014</u>	<u>2013</u>
Demand deposits	<u>\$802,791</u>	<u>\$686,683</u>

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2. Equity in Pooled Deposits (Continued)

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$324,231	\$314,299	(\$9,932)
Special Revenue	989,969	978,863	(11,106)
Permanent	24	15	(9)
Total	\$1,314,224	\$1,293,177	(\$21,047)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$305,377	\$242,418	\$62,959
Special Revenue	1,626,723	934,651	692,072
Permanent	6,047	0	6,047
Total	\$1,938,147	\$1,177,069	\$761,078

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$263,966	\$294,447	\$30,481
Special Revenue	909,242	799,925	(109,317)
Permanent	6,099	24	(6,075)
Total	\$1,179,307	\$1,094,396	(\$84,911)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$318,390	\$297,815	\$20,575
Special Revenue	1,269,948	649,373	620,575
Permanent	6,099	0	6,099
Total	\$1,594,437	\$947,188	\$647,249

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.

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. Property Tax (Continued)

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

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

5. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

6. Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2014.

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. Risk Management (Continued)

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$7,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2014</u>
\$13,167	\$13,670

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

7. Related Party Transactions

During 2013 the Township entered into a contract for the Beverly building wall repair at a cost of \$6,776 with McCutcheon Brothers, brothers to Trustee Doug McCutcheon. Additionally, the Township entered into a contract for mowing in the amount of \$36,400 with Ron McCutcheon, uncle to Trustee Doug McCutcheon. Trustee McCutcheon did not abstain from the voting relating to these contracts but, rather, seconded both motions in 2013.



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

Waterford Township
Washington County
P.O. Box 146
Waterford, Ohio 45786-0146

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 Waterford Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated November 2, 2015, wherein we noted the Township uses a special purpose framework other than generally accepted accounting principles.

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 opinion 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Findings 2014-002 and 2014-003 described in the accompanying Schedule of Findings to be material weaknesses.

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 2014-001 through 2014-003.

Entity's Response to Findings

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

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.



Dave Yost
Auditor of State
Columbus, Ohio

November 2, 2015

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Noncompliance

Ohio Rev. Code § 2921.42(A)(1) provides that no public official shall knowingly "authorize or employ the authority or influence of" the official's office to secure authorization of the employment of a family member. Ohio Revised Code § 102.03 (D) and (E) prohibit public officials and employees from using or authorizing the use of their public positions to secure employment, or employment-related benefits, for their family members. Ohio Ethics Commission Advisory Op. No. 2010-03 concluded that "public officials and employees cannot: (a) hire or use their positions to secure employment for their family members; (b) recommend or nominate their family members for public jobs with their own, or any other, public agencies; or (c) give to their family members, or solicit or use their positions to secure for their family members, raises, promotions, job advancements, overtime pay or assignments, favorable performance evaluations, or any other things of value related to their employment."

Ohio Rev. Code § 2921.42(C)(4) provides that this section does not apply to a public contract in which a public official, member of a public official's family, or one of a public official's business associates has an interest, when all of the following apply:

- (1) The subject of the public contract is necessary supplies or services for the political subdivision or governmental agency or instrumentality involved;
- (2) The supplies or services are unobtainable elsewhere for the same or lower cost, or are being furnished to the political subdivision or governmental agency or instrumentality as part of a continuing course of dealing established prior to the public official's becoming associated with the political subdivision or governmental agency or instrumentality involved;
- (3) The treatment accorded the political subdivision or governmental agency or instrumentality is either preferential to or the same as that accorded other customers or clients in similar transactions;
- (4) The entire transaction is conducted at arm's length, with full knowledge by the political subdivision or governmental agency or instrumentality involved, of the interest of the public official, member of the public official's family, or business associate, and the public official takes no part in the deliberations or decision of the political subdivision or governmental agency or instrumentality with respect to the public contract.

On January 3, 2013 the Township awarded a contract for the Beverly building wall repair at a cost of \$6,776 to McCutcheon Brothers, owned and operated by brothers to Trustee Doug McCutcheon. On March 7, 2013, the Township also awarded a contract for mowing in the amount of \$36,400 to Ron McCutcheon, uncle to Trustee Doug McCutcheon. Doug McCutcheon did not abstain but rather, seconded both motions. This matter will be referred to the Ohio Ethics Commission.

The Township should consult with the Ohio Ethics Commission before entering into any related party transactions.

Official's Response: This has been corrected. Trustees do not vote on any issues if they are related to the parties involved.

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-002

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) provides that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03.

During 2013, the Fiscal Officer posted certain transactions incorrectly as follows:

- Payment in lieu of taxes in the amount of \$91,327 were posted to Miscellaneous instead of Intergovernmental in the General Fund.
- Ambulance Fund expenditures (\$54,603), Special Fire Fund expenditures (\$42,796), Special Fire and Ambulance Fund expenditures (\$61,301) and Special Fire and Ambulance Levy Fund expenditures (\$8,507) were posted to general government instead of public safety.
- Morgan Trust corpus (\$500), Paxton Trust corpus (\$1,228), Pabst Trust corpus (\$500), Brackenridge Trust corpus (\$500), Morgan Trust corpus (\$500) were classified as restricted instead of nonspendable.
- Since the subsequent year's appropriations exceeded the estimated receipts in the General Fund, \$38,185 of the December 31, 2013 fund balance was reclassified as assigned rather than unassigned.
- Since the Road and Bridge taxes were within the 10 mil limitation, the Road and Bridge fund balance in the amount of \$205,558 was reclassified as committed rather than restricted.

During 2014, the Fiscal Officer posted certain transactions incorrectly as follows:

- Ambulance Fund expenditures (\$76,447), Special Fire Fund expenditures (\$59,734), Special Fire and Ambulance Fund expenditures (\$78,180) and Special Fire and Ambulance Levy Fund expenditures (\$1,992) were posted to general government instead of public safety.
- Morgan Trust corpus (\$500), Paxton Trust corpus (\$1,228), Pabst Trust corpus (\$500), Brackenridge Trust corpus (\$500), Morgan Trust corpus (\$500) were classified as restricted instead of nonspendable.
- Since the subsequent year's appropriations exceeded the estimated receipts in the General Fund, \$69,306 of the December 31, 2014 fund balance was reclassified as assigned rather than unassigned.
- Since the Road and Bridge taxes were within the 10 mil limitation, the Road and Bridge fund balance in the amount of \$49,170 was reclassified as committed rather than restricted.

We also noted various other misclassifications that were not material to the financial statements and, therefore, not included above. These reclassification errors were due to a lack of management oversight. These significant reclassifications, with which management agrees, were posted to the financial statements of the Township.

The Fiscal Officer should refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts and expenditures.

**WATERFORD TOWNSHIP
WASHINGTON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-002 (Continued)

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

Official's Response: Fiscal Officer will make every effort to ensure funds are posted correctly.

FINDING NUMBER 2014-003

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(C)(1) provides, in part, that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts.

At December 31, 2014, estimated receipts, as approved, exceeded the amount posted to the system by \$41,193 in the General Fund.

At December 31, 2013, estimated receipts, as approved, varied from the amounts posted to the system as follows:

Fund	Estimated Revenue as Approved by the Budget Commission	Estimated Revenue as Posted to the Accounting System	Variance
1000 General	\$263,966	\$277,910	(\$13,944)
2011 Motor Vehicle License Tax	44,965	30,060	14,905
2021 Gasoline Tax	141,136	89,150	51,986
2031 Rod and Bridge	207,897	313,445	(105,548)
2041 Cemetery	5,079	4,300	779
2191 Ambulance	165,742	110,993	54,749
2192 Special Fire	41,858	43,040	(1,182)
2193 Special Fire and Ambulance	59,455	59,000	455
2194 Special Fire and Ambulance Levy	147,175	49,905	97,270
2401 Permissive Sales Tax	6,521	6,100	421
2281 Miscellaneous Special Revenue	218	0	218
4951 Morgan Trust	1,567	20	1,547
4952 Paxton Trust	1,387	15	1,372
4953 Pabst Trust	925	10	915
4954 Brackenridge Trust	662	10	652
4955 Morgan Trust	1,559	15	1,544

Due to budgetary information being improperly entered into the system, the management of the Township lost some degree of budgetary control.

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-003 (Continued)

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

The Fiscal Officer should accurately post estimated receipts as certified by the County Budget Commission to the accounting system. This procedure will help ensure more useful comparisons of budget vs. actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Official's Response: This will be corrected. The Fiscal Officer will post estimated receipts to the UAN system.

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	FFR Repaid Under Audit/Noncompliance citation of Ohio Rev. Code § 505.60(A): The former Fiscal Officer reimbursed herself for her husband's portion of health insurance premiums through his job while she was also enrolled in the Township's health insurance plan.	Yes	N/A
2012-002	Noncompliance citation of Ohio Rev. Code § 5705.41(D)(1) for failure to certify expenditures prior to incurring the obligation	No	Partially corrected. Repeated in a separate letter to management.
2012-003	Noncompliance and Material Weakness relating to Ohio Admin. Code § 117-2-02(A) relating to material misposting requiring financial statement adjustment.	No	Repeated as Finding Number 2014-001
2012-004	Material Weakness for budgetary amounts posted to the system varying significantly from amounts adopted and approved.	No	Repeated as Finding Number 2014-002

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Dave Yost • Auditor of State

WATERFORD TOWNSHIP

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 17, 2015**