



Dave Yost • Auditor of State



**WASHINGTON TOWNSHIP  
PAULDING COUNTY  
DECEMBER 31, 2016 AND 2015**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Washington Township  
Paulding County  
2523 Road 173  
Grover Hill, Ohio 45849

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Washington Township, Paulding County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015.

### ***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 Section 117.38 and Ohio Administrative Code Section 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 opinions.

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

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section

117.38 and Ohio Administrative Code Section 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 Section 117.38 and Ohio Administrative Code Section 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 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, 2016 and 2015, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Washington Township, Paulding County, Ohio as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017 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 29, 2017

**WASHINGTON TOWNSHIP  
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$36,747	\$50,000		\$86,747
Intergovernmental	25,130	109,663		134,793
Licenses, Permits and Fees		6,425		6,425
Earnings on Investments	173	23		196
Miscellaneous	528	7,098		7,626
<i>Total Cash Receipts</i>	<u>62,578</u>	<u>173,209</u>		<u>235,787</u>
<b>Cash Disbursements</b>				
Current:				
General Government	41,117	4,567		45,684
Public Safety		15,845		15,845
Public Works	1,846	43,557		45,403
Health		16,349		16,349
Other		451		451
Capital Outlay	14,920	54,548		69,468
Debt Service:				
Principal Retirement		10,728		10,728
Interest and Fiscal Charges		1,080		1,080
<i>Total Cash Disbursements</i>	<u>57,883</u>	<u>147,125</u>		<u>205,008</u>
<i>Excess of Receipts Over Disbursements</i>	<u>4,695</u>	<u>26,084</u>		<u>30,779</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		3,936		3,936
Transfers Out	(3,936)			(3,936)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,936)</u>	<u>3,936</u>		
<i>Net Change in Fund Cash Balances</i>	759	30,020		30,779
<i>Fund Cash Balances, January 1</i>	<u>116,638</u>	<u>203,592</u>	<u>\$3,758</u>	<u>323,988</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		233,612		233,612
Committed			3,758	3,758
Assigned	42,213			42,213
Unassigned	75,184			75,184
<i>Fund Cash Balances, December 31</i>	<u>\$117,397</u>	<u>\$233,612</u>	<u>\$3,758</u>	<u>\$354,767</u>

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

WASHINGTON TOWNSHIP  
PAULDING COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Fiduciary Fund Type</u>
	<u>Private Purpose Trust</u>
<b>Operating Cash Receipts</b>	
Earnings on Investments	<u>\$53</u>
<b>Operating Cash Disbursements</b>	
Other	<u>50</u>
<i>Net Change in Fund Cash Balances</i>	3
<i>Fund Cash Balances, January 1</i>	<u>24,133</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$24,136</u></u>

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



**Washington Township  
Paulding County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2016**

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Washington Township, Paulding County, Ohio (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, and cemetery maintenance. The Township contracts with the Villages of Oakwood and Grover Hill to provide fire protection and emergency medical services and the Ottoville Community Fire Company to provide fire protection services.

***Public Entity Risk Pool***

The Township participates in the Ohio Plan Risk Management, Inc. providing a formalized, jointly administered self-insurance risk management program to its Members. Note 6 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.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental and fiduciary fund types.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** - The General fund accounts for and reports all financial resources not accounted for and reported in another fund. The General fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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 Fund:

***Gasoline Tax Fund*** The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Capital Project Funds*** - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following Capital Project Fund:

***Public Improvement Culvert Fund*** – The Township received a grant from the county in a prior year to pay for maintaining culverts within the Township.

***Fiduciary Funds*** – Fiduciary funds include private purpose trust 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.

**Washington Township  
Paulding County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)**

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The Township's private purpose trust funds account for programs that maintain cemetery gravesites. The Township had the following significant Fiduciary Fund:

***Mericle Private Purpose Trust Fund*** – This fund was established as a trust fund for the maintenance and upkeep of the mausoleum on the behalf of Calvin C. Mericle.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board of Trustees 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 Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

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

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

***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 2016 budgetary activity appears in Note 3.

***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.

The Township values certificate of deposits at cost.

***Capital Assets***

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  
Paulding County

Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)

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**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.

**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:

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

**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.

**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.

**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.

**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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

**Washington Township  
Paulding County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)**

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,020	\$62,578	(\$442)
Special Revenue	179,505	177,145	(2,360)
Capital Projects	15,000		(15,000)
Private Purpose Trust	110	53	(57)
Total	\$257,635	\$239,776	(\$17,859)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$91,293	\$61,819	\$29,474
Special Revenue	270,907	147,125	123,782
Capital Projects	18,750		18,750
Private Purpose Trust	2,510	50	2,460
Total	\$383,460	\$208,994	\$174,466

**Note 4 – 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:

	2016
Demand deposits	\$288,344
Certificates of deposit	90,559
Total deposits	\$378,903

**Deposits**

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

**Note 5 – Property Taxes**

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

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

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

**Washington Township  
Paulding County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)**

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**Note 6 - Risk Management**

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 Section 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. Until November 1, 2016, the OPRM retained 47% 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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, 2016.

	<b>2016</b>
Assets	<u>\$14,765,712</u>
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u><u>\$5,234,206</u></u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 - Defined Benefit Pension Plan**

***Ohio Public Employees 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. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**Washington Township  
Paulding County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)**

**Note 8 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Dump Truck Loan	\$15,926	2.90%
Tractor Loan	16,369	2.75%
Total	\$32,295	

**Dump Truck Note:** The Township obtained a bank loan in 2014 to finance the purchase of a new dump truck for the Township road maintenance. The Township is repaying the loan in monthly payments of \$534 including interest over five years. The loan is secured by the vehicle financed with loan proceeds

**Tractor Note:** The Township obtained a bank note in 2015 to finance the purchase of a new tractor for Township road maintenance. The Township is repaying the loan in monthly payments of \$450 including interest over five years. The loan is secured by the vehicle financed with the loan proceeds

**Amortization**

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

	Dump Truck		Total
Year ending December 31:	Loan	Tractor Loan	Total
2017	\$6,405	\$5,403	\$11,808
2018	6,406	5,403	11,809
2019	3,737	5,403	9,140
2020		901	901
Total	\$16,548	\$17,110	\$33,658

**Note 10 – Interfund Transfers**

The Township transferred \$3,936 from the General Fund to the Road District Fund to make debt payments for the dump truck and tractor loans.

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Washington Township  
Paulding County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(Continued)**

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**Note 11 – Compliance**

Contrary to Ohio law, the Township paid part of the dump truck and tractor debt payments from the General Fund in the amount of \$3,936, instead of the Road District Fund.

**WASHINGTON TOWNSHIP  
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$36,613	\$49,445		\$86,058
Intergovernmental	30,176	111,377		141,553
Licenses, Permits and Fees		8,495		8,495
Earnings on Investments	126	21		147
Miscellaneous	508	9,332		9,840
<i>Total Cash Receipts</i>	<u>67,423</u>	<u>178,670</u>		<u>246,093</u>
<b>Cash Disbursements</b>				
Current:				
General Government	41,217	4,615		45,832
Public Safety		13,843		13,843
Public Works	1,760	74,731		76,491
Health		13,881		13,881
Other		530		530
Capital Outlay	9,560	74,363		83,923
Debt Service:				
Principal Retirement		9,618		9,618
Interest and Fiscal Charges		1,290		1,290
<i>Total Cash Disbursements</i>	<u>52,537</u>	<u>192,871</u>		<u>245,408</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>14,886</u>	<u>(14,201)</u>		<u>685</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds		25,000		25,000
Transfers In		3,636		3,636
Transfers Out	(3,636)			(3,636)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,636)</u>	<u>28,636</u>		<u>25,000</u>
<i>Net Change in Fund Cash Balances</i>	11,250	14,435		25,685
<i>Fund Cash Balances, January 1</i>	<u>105,388</u>	<u>189,157</u>	<u>\$3,758</u>	<u>298,303</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		203,592		203,592
Committed			3,758	3,758
Assigned	28,273			28,273
Unassigned	88,365			88,365
<i>Fund Cash Balances, December 31</i>	<u>\$116,638</u>	<u>\$203,592</u>	<u>\$3,758</u>	<u>\$323,988</u>

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



WASHINGTON TOWNSHIP  
PAULDING COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Fiduciary Fund Type</u>
	<u>Private Purpose Trust</u>
<b>Operating Cash Receipts</b>	
Earnings on Investments	<u>\$54</u>
<b>Operating Cash Disbursements</b>	
Other	<u>93</u>
<i>Net Change in Fund Cash Balances</i>	(39)
<i>Fund Cash Balances, January 1</i>	<u>24,172</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$24,133</u></u>

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

**Washington Township  
Paulding County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2015**

---

**Note 1 – Reporting Entity**

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**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

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The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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***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 Fund:

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**Washington Township  
Paulding County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2015  
(Continued)**

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The Township's private purpose trust funds account for programs that maintain cemetery gravesites. The Township had the following significant Fiduciary Fund:

***Mericle Private Purpose Trust Fund*** – This fund was established as a trust fund for the maintenance and upkeep of the mausoleum on the behalf of Calvin C. Mericle.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board of Trustees 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 Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

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

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

***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 2015 budgetary activity appears in Note 3.

***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.

The Township values certificate of deposits at cost.

***Capital Assets***

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  
Paulding County

Notes to the Financial Statements  
For the Year Ended December 31, 2015  
(Continued)

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**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.

**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:

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

**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.

**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.

**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.

**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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2015 follows:

**Washington Township  
Paulding County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2015  
(Continued)**

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,333	\$67,423	\$3,090
Special Revenue	195,862	207,306	11,444
Capital Projects	10,000		(10,000)
Private Purpose Trust	110	54	(56)
Total	<u>\$270,305</u>	<u>\$274,783</u>	<u>\$4,478</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$93,446	\$56,173	\$37,273
Special Revenue	284,017	192,871	91,146
Capital Projects	13,750		13,750
Private Purpose Trust	2,500	93	2,407
Total	<u>\$393,713</u>	<u>\$249,137</u>	<u>\$144,576</u>

**Note 4 – 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:

	2015
Demand deposits	<u>\$257,614</u>
Certificates of deposit	90,507
Total deposits	<u>\$348,121</u>

**Deposits**

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

**Note 5 – Property Taxes**

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

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

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

**Washington Township  
Paulding County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2015  
(Continued)**

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**Note 6 - Risk Management**

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 Section 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. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 members as of December 31, 2015.

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, 2015.

	<b>2015</b>
Assets	<u>\$14,643,667</u>
Liabilities	<u>(9,112,030)</u>
Members' Equity	<u>\$5,531,637</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 - Defined Benefit Pension Plan**

***Ohio Public Employees 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. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

**Washington Township  
Paulding County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2015  
(Continued)**

**Note 8 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Dump Truck Loan	\$21,776	2.90%
Tractor Loan	21,247	2.75%
Total	\$43,023	

**Dump Truck Note:** The Township obtained a bank loan in 2014 to finance the purchase of a new dump truck for the Township road maintenance. The Township is repaying the loan in monthly payments of \$534 including interest over five years. The loan is secured by the vehicle financed with loan proceeds

**Tractor Note:** The Township obtained a bank note in 2015 to finance the purchase of a new tractor for Township road maintenance. The Township is repaying the loan in monthly payments of \$450 including interest over five years. The loan is secured by the vehicle financed with the loan proceeds

**Amortization**

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

	Dump Truck		
Year ending December 31:	Loan	Tractor Loan	Total
2016	\$6,406	\$5,403	\$11,809
2017	6,405	5,403	11,808
2018	6,406	5,403	11,809
2019	3,736	5,403	9,139
2020		901	901
Total	\$22,953	\$22,513	\$45,466

**Note 10 – Interfund Transfers**

The Township transferred \$3,636 from the General Fund to the Road District Fund to make debt payments for the dump truck and tractor loans.

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Washington Township  
Paulding County**

**Notes to the Financial Statements  
For the Year Ended December 31, 2015  
(Continued)**

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**Note 11 – Compliance**

Contrary to Ohio law, other debt proceeds and capital outlay, of \$8,333, were incorrectly posted in the General Fund instead of in the Road District Fund. Also contrary to Ohio law, the Township paid part of the dump truck and tractor debt payments from the General Fund in the amount of \$3,636, instead of the Road District Fund.





# 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  
Paulding County  
2523 Road 173  
Grover Hill, Ohio 45849

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 the cash balances, receipts, and disbursements by fund type of Washington Township, Paulding County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2017, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-003 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 2016-002 and 2016-003.

***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, flowing style.

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 29, 2017

**WASHINGTON TOWNSHIP  
PAULDING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**Material Weakness – Monitoring Financial Statements**

The Township's management is responsible for the fair presentation of the financial statements. In addition, GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The following errors were noted in the financial statements that required audit adjustments:

- In 2016 and 2015, the General Fund's appropriations exceeded estimated receipts for the subsequent year, and as such, this excess should have been reported as assigned fund balance instead of unassigned fund balance in accordance with GASB Statement No. 54. This overstated the unassigned fund balance and understated the assigned fund balance in the General Fund by \$42,213 and \$28,273, respectively.
- In 2015, other debt proceeds were incorrectly classified as miscellaneous revenues in the Motor Vehicle License Tax Fund and the Gasoline Tax Fund in the amounts of \$8,333 and \$8,334, respectively.

These errors were a result of inadequate policies and procedures in reviewing the financial statements. The accompanying financial statements were adjusted to correct these and other errors.

Sound financial reporting is the responsibility of the Fiscal Officer and the governing 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 financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the audit committee to identify and correct errors and omissions. In addition, the Fiscal Officer should also review the Auditor of State's (AOS) Township handbook which contains a chart of accounts as well as AOS Bulletin 2011-004 for guidance on GASB 54.

**FINDING NUMBER 2016-002**

**Noncompliance and Material Weakness**

**Ohio Rev. Code § 5705.05** provides that the purpose and intent of the general levy for current expenses is to provide one general operating fund derived from taxation from which any expenditures for current expenses of any kind may be made. The taxing authority of a political subdivision may include in such levy the amounts required for carrying into effect any of the general or special powers granted by law to such subdivision, including the acquisition or construction of permanent improvements and the payment of judgments, but excluding the payment of debt charges. The power to include in the general levy for current expenses additional amounts for purposes for which a special tax is authorized shall not affect the right or obligation to levy such special tax.

**1981 Ohio Att'y Gen. Op. No. 81-035** provides that certain moneys paid into the General Fund which are not derived from a general levy for current expenses are placed in the General Fund precisely because

their use is not restricted. Such monies may be used to pay debt charges provided that they have not been comingled with general fund monies which may not be used for debt payment. Where otherwise unrestricted monies have been paid into the General Fund and have been comingled with restricted monies to the extent that the particular source from which the monies originated cannot be distinguished, such monies may be used to pay debt charges only after they have been transferred to an appropriate fund [pursuant to **Ohio Rev. Code § 5705.14**].

The Township's general levy is restricted for current expenses and is comingled with unrestricted monies. In 2016 and 2015, the Township paid part of the dump truck and tractor debt payments from the General Fund in the amounts of \$3,936 and \$3,636, respectively. These payments should have been made from the Road District Fund.

This error was a result of inadequate policies and procedures in monitoring financial statement information. The proper presentation was to transfer funds to the Road District Fund and reflect the debt payment there. The financial statements have been adjusted to correct this error.

We recommend the Fiscal Officer pay the dump truck and tractor debt payments out of a road fund or transfer out of the General fund to a separate allowable fund to pay debt.

#### **FINDING NUMBER 2016-003**

##### **Noncompliance and Material Weakness**

**Ohio Rev. Code § 5705.10(E)** requires all proceeds from the sale of public obligations or fractionalized interests in public obligations as defined in **Ohio Rev. Code § 133.01**, except premium and accrued interest, be paid into a special fund for the purpose of such issue.

In 2015, other debt proceeds and capital outlay of \$8,333 was incorrectly posted in the General Fund instead of in the Road District Fund.

The lack of a policy regarding financial review contributed to the above errors occurring without detection. The financial statements were adjusted to reflect this misstatement.

Improper posting of revenues and expenditures could cause management to draw incorrect conclusions regarding the Township's fiscal position. Financial activity should be properly posted in the accounting ledgers so that the Trustees can better assess whether financial goals are being met on an ongoing basis. As part of the monitoring process, Township trustees should review financial records to make sure that amounts are reflected in the appropriate funds and that there are sufficient funds to pay obligations.

##### **Officials' Response:**

We did not receive a response from Officials to the findings reported above.

**WASHINGTON TOWNSHIP  
PAULDING COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Material weakness for monitoring of financial transactions due to errors in the financial statements.	Not Corrected. Reissued as Finding 2016-001 in this report.	The Township declined to offer an explanation why the finding reoccurred. The Township plans to review future postings of financial activity to make sure they are properly reported in the accounting ledgers and financial statements. They will also refer to Auditor of State Bulletin 2011-004 for GASB classification of fund equity.

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# Dave Yost • Auditor of State

**WASHINGTON TOWNSHIP**

**PAULDING 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 14, 2017**