



Dave Yost • Auditor of State

WASHINGTON TOWNSHIP
LAWRENCE COUNTY

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Dave Yost • Auditor of State

Washington Township
Lawrence County
25147 State Route 93
Oak Hill, Ohio 45656

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Dave Yost
Auditor of State

November 9, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Washington Township
Lawrence County
25147 State Route 93
Oak Hill, Ohio 45656

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e, major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the third following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Washington Township, Lawrence County, Ohio, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township did not use the encumbrance method of accounting as required by Ohio Revised Code Chapter 5705 for the years ended December 31, 2011 and 2010. The basis of accounting prescribed by the Auditor of State requires the Township to report outstanding encumbrances at year end as budgetary expenditures. Accordingly, budgetary expenditures in Note 4 do not include encumbrances. It was not practical for us to determine the amount of unrecorded encumbrances for the years ended December 31, 2011 and 2010.

As described in Note 2, during 2010 Washington Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

As discussed in Note 10 to the financial statements, the Township had a General Fund deficit cash balance as of December 31, 2011 and December 31, 2010, which indicated the Township was having financial difficulty. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2012, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Dave Yost
Auditor of State

November 9, 2012

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$4,563	\$8,492	\$13,055
Intergovernmental	13,735	88,690	102,425
Interest	1,871		1,871
<i>Total Cash Receipts</i>	<u>20,169</u>	<u>97,182</u>	<u>117,351</u>
Cash Disbursements			
Current:			
General Government	25,688		25,688
Public Safety		1,000	1,000
Public Works		74,308	74,308
Debt Service:			
Principal Retirement		12,484	12,484
Interest and Fiscal Charges		1,674	1,674
<i>Total Cash Disbursements</i>	<u>25,688</u>	<u>89,466</u>	<u>115,154</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(5,519)</u>	<u>7,716</u>	<u>2,197</u>
<i>Fund Cash Balances, January 1</i>	<u>(16,464)</u>	<u>216,258</u>	<u>199,794</u>
Fund Cash Balances, December 31			
Restricted	0	223,974	223,974
Unassigned (Deficit)	(21,983)	0	(21,983)
<i>Fund Cash Balances, December 31</i>	<u>(21,983)</u>	<u>\$223,974</u>	<u>\$201,991</u>

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

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$4,215	\$3,297		\$7,512
Intergovernmental	14,486	94,489	\$79,950	188,925
Interest	1,348			1,348
<i>Total Cash Receipts</i>	<u>20,049</u>	<u>97,786</u>	<u>79,950</u>	<u>197,785</u>
Cash Disbursements				
Current:				
General Government	27,797			27,797
Public Works		75,324		75,324
Capital Outlay			79,950	79,950
Debt Service:				
Principal Retirement		11,997		11,997
Interest and Fiscal Charges		2,338		2,338
<i>Total Cash Disbursements</i>	<u>27,797</u>	<u>89,659</u>	<u>79,950</u>	<u>197,406</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(7,748)</u>	<u>8,127</u>	<u>0</u>	<u>379</u>
<i>Fund Cash Balances, January 1</i>	<u>(8,716)</u>	<u>208,131</u>	<u>0</u>	<u>199,415</u>
Fund Cash Balances, December 31				
Restricted	0	216,258	0	216,258
Unassigned (Deficit)	(16,464)	0	0	(16,464)
<i>Fund Cash Balances, December 31</i>	<u>(\$16,464)</u>	<u>\$216,258</u>	<u>\$0</u>	<u>\$199,794</u>

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

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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, Lawrence 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 and cemetery maintenance.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 an expenditure is made (i.e., when a check is issued).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Township maintains an interest bearing checking account that all funds use. The Township also had two Certificates of Deposit.

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.

2. Special Revenue Funds

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:

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

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those finance through enterprise or trust funds). The Township had the following significant Capital Project Fund in 2010:

Community Center Project Fund – This fund received Community Development Block Grants receipts for the purchase of a community center building.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Township Council 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. The Township did not use the encumbrance method of accounting.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

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.

WASHINGTON TOWNSHIP
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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

Council can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amends 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.

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. Change in Accounting Principle

For fiscal year 2010, the Township implemented Governmental Accounting Standards Board (GASB) Statement No 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

3. Equity in Pooled Deposits

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

	2011	2010
Demand deposits	\$96,745	\$97,273
Certificates of deposit	\$105,246	\$102,521
Total	201,991	199,794

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,960	\$20,169	(\$7,791)
Special Revenue	66,039	97,182	31,143
Total	\$93,999	\$117,351	\$23,352

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$24,529	\$25,688	(\$1,159)
Special Revenue	269,867	89,466	180,401
Total	\$294,396	\$115,154	\$179,242

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$18,162	\$20,049	\$1,887
Special Revenue	60,632	97,786	37,154
Capital Projects		79,950	79,950
Total	\$78,794	\$197,785	\$118,991

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$9,446	\$27,797	(\$18,351)
Special Revenue	268,757	89,659	179,098
Capital Projects	0	79,950	(79,950)
Total	\$278,203	\$197,406	\$80,797

Contrary to Ohio law, expenditures exceeded actual appropriations at December 31, 2011 and December 31, 2010 in the General Fund by \$1,159, and \$18,531, respectively. Also at December 31, 2010 expenditures exceeded appropriations in the Capital Projects Fund by \$79,950.

Contrary to Ohio law, appropriations exceeded actual resources at December 31, 2011 in the General Fund by \$20,824 and the Fire Levy Fund by \$169.

Contrary to Ohio law, the Township did not use the encumbrance method of accounting.

Also, contrary to Ohio law, the General Fund balance was \$(21,983) and \$(16,464) at December 31, 2011 and 2010, respectively.

5. 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.

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

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

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

6. Retirement System

The Township's employees and officials 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 both 2011 and 2010, 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, 2011.

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Risk Management

Risk Pool Membership

Prior to 2009, the Township belonged to 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 was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), 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 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) 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 761 and 725 members as of December 31, 2010 and 2009 respectively. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively.

The Township does not participate in this coverage.

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.

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Risk Management (Continued)

Risk Pool Membership (Continued)

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 retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

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

8. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest</u>
Promissory Note	\$33,481	4%

On April 8, 2009 the Township signed a promissory note in the amount of \$63,776 at interest rate of 4.0% to purchase a 2001 Champion grader. The note is secured by the acquired grader.

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

<u>Year ending December 31:</u>	<u>Promissory Note</u>
2012	\$14,158
2013	\$14,158
2014	\$ 5,165
Total	<u>\$33,481</u>

9. Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

10. Deficit Fund Balances

As of December 31, 2011 and December 31, 2010, the Township had General Fund balances of (\$21,983) and (\$16,464), respectively.

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Dave Yost • Auditor of State

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

Washington Township
Lawrence County
25147 State Route 93
Oak Hill, Ohio 45656

To the Board of Trustees:

We have audited the financial statements of Washington Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated November 9, 2012, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and has adopted Governmental Accounting Standards Board Statement No. 54 in 2010. We also noted the Township did not use the encumbrance method of accounting as required by Ohio Revised Code Chapter 5705. We also noted the Townships is experiencing financial difficulties. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider Findings 2011-01 through 2011-07 described in the accompanying Schedule of Findings to be material weaknesses.

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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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2011-01 through 2011-04 and 2011-07.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 9, 2012.

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

Dave Yost
Auditor of State

November 9, 2012

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The General Fund balance was (\$16,464) at December 31, 2010 and (\$21,983) at December 31, 2011.

A budgetary cycle should be in place for all governments. The budgetary process is a plan to coordinate expenditures and resources. The State Legislature has adopted laws to control expenditures using tax budgets and appropriations. The Auditor of State believes budgeting, properly used, provides the most important monitoring control a government has. It is impossible to incur a cash deficit if a government complies with the budgetary law. Additionally, the budget is an instrument of public policy. A governing board expresses its desire for using a government's limited resources through its appropriations.

We recommend the Fiscal Officer review the Ohio Compliance Supplement for budgetary requirements to implement a budgetary cycle for the Township. We further recommend the Township monitor spending to ensure deficit balances do not occur.

FINDING NUMBER 2011-02

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The Board of Trustees failed to request a reduced Certificate of Estimated Resources in accordance with realistic receipt expectations, which would have resulted in available resources being below current level of appropriations at December 31, 2011 as follows:

Fund	Actual Resources	Appropriations	Variance
General	\$3,705	\$24,529	(\$20,824)
Fire Levy	4,793	4,962	(169)

Failing to reduce the estimated resources and correspondingly, the appropriations, when it is determined actual resources will be significantly less than originally anticipated could lead to overspending and deficit fund balances.

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2011-02 (Continued)

Noncompliance Citation/Material Weakness – Ohio Rev. Code Section 5705.36(A) (Continued)

We recommend the Township monitor budget and actual receipts and file a reduced certificate of estimated resources and, correspondingly, reduce appropriations when it is determined the actual resources will fall below the current appropriations.

FINDING NUMBER 2011-03

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

At December 31, 2010 expenditures exceeded appropriations as follows:

Fund	Appropriations	Expenditures	Variance
General	\$9,446	\$27,797	(\$18,531)
Capital Projects	0	79,950	(79,950)

At December 31, 2011 expenditures exceeded appropriations as follows:

Fund	Appropriations	Expenditures	Variance
General	\$24,529	\$25,688	(\$1,159)

Expenditures exceeding appropriations can result in overspending available resources and deficit fund balances.

We recommend the Fiscal Officer not certify the availability of funds or approve payment requests exceeding appropriations. The Fiscal Officer may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources if necessary.

FINDING NUMBER 2011-04

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.41(D)(1) and 5705.41(D)(3) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

WASHINGTON TOWNSHIP
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2011-04 (Continued)

Noncompliance Citation/Material Weakness – Ohio Rev. Code Section 5705.41(D)(1) and 5705.41(D)(3) (Continued)

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

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.

The Fiscal Officer did not certify the availability of funds prior to purchase commitments being made for 100% of the expenditures in 2010 and in 2011. The Township did not have sufficient internal controls in place to ensure the certification of the availability of funds. Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but is also 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 that 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
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2011-04 (Continued)

Noncompliance Citation/Material Weakness – Ohio Rev. Code Section 5705.41(D)(1) and 5705.41(D)(3) (Continued)

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs the commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2011-05

Material Weakness

Sound internal control policies require management and the Board of Trustees to monitor the financial activity of the Township. Actual revenues and expenses should be compared to budgeted amounts each month and reported to and reviewed by the Board of Trustees. The Board of Trustees should determine the reasons why actual expenditures exceeded or were less than budgeted expenditures by making inquiries to fair management about the reasons. Additionally, the Board of Trustees should compare their actual cash balances to budgeted cash balance at the end of each month. When actual cash balances are below budgeted cash balances, the Township should look for ways to increase revenues and/or decrease expenditures budgeted in the upcoming months so as to achieve the budgeted cash balance.

There was no documentation of the extent to which the Board of Trustees used financial information to monitor the financial activity of the Township. The lack of financial information provided to the Board of Trustees for review each month hampered the Board of Trustees' ability to effectively monitor the financial activity and position of the Township. For each regular Board of Trustees' meeting, the Fiscal Officer should provide a detailed budget and financial statements, lists of investments, cash balances and checks paid.

The Board of Trustees should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Township. This information can help answer questions such as the following:

Inquiries Relevant to Overall Township Operations:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Township maximizing its return on invested cash balances?
- Is the Township able to achieve the financial goals as set by the original or amended budgets?

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2011-05 (Continued)

Material Weakness (Continued)

In order to effectively monitor the financial activity of the Township, we recommend the Board of Trustees review and accept/ approve the monthly financial information provided by the Fiscal Officer. The review of this information should be noted in the minutes of the meetings of the Board of Trustees.

FINDING NUMBER 2011-06

Material Weakness

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

As a result of the audit procedures performed, the following errors were noted in the 2010 and 2011 financial statements that required audit adjustments and reclassifications:

Year ending December 31, 2010:

- General Fund interest of \$682 was not recorded.
- Road and Bridge Fund tax receipts in the amount of \$3,297 were incorrectly classified as intergovernmental receipts.
- Interest receipts of \$666 were improperly posted to the Gasoline Tax Fund instead of the General Fund.
- Debt payments consisting of \$7,280 in principle and \$1,427 in interest were improperly posted as public works in the Gasoline Tax Fund.
- Debt payments consisting of \$4,717 in principle and \$911 in interest were improperly posted as public works in the Road and Bridge Fund.
- Intergovernmental receipts and the corresponding capital outlay in the amount of \$79,950 were not recorded in the Capital Projects Fund.
- General government expenditures in the General Fund were reduced by \$203 due to a reconciliation error.
- Transfers-out in the amounts of \$2,227, \$12,284, and \$1,210 in the Motor Vehicle License, Gasoline Tax, and Road and Bridge Funds, respectively, were not allowable.
- A Transfer-in to the General Fund in the amount of \$15,608 was not allowable.
- The General Fund balance of (\$16,464) was reclassified to unassigned.
- The fund balances in the Motor Vehicle License Fund in the amount of \$11,695, the Gasoline Tax fund in the amount of \$197,159, and the Road and Bridge fund in the amount of \$7,122 were all reclassified to restricted.

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2011-06 (Continued)

Material Weakness (Continued)

Year ending December 31, 2011:

- General Fund interest of \$1,871 was not recorded.
- Fire Levy Fund tax receipts in the amount of \$4,939 were incorrectly classified as intergovernmental receipts.
- Debt payments consisting of \$10,947 in principle and \$1,441 in interest were improperly posted as public works in the Gasoline Tax Fund.
- Debt payments consisting of \$1,537 in principle and \$233 in interest were improperly posted as public works in the Road and Bridge Fund.
- General Fund tax receipts in the amount of \$4,563 were incorrectly classified as intergovernmental receipts.
- Road and Bridge Fund tax receipts in the amount of \$3,553 were incorrectly classified as intergovernmental receipts.
- The fund balances in the Motor Vehicle License Fund in the amount of \$14,687, the Gasoline Tax fund in the amount of \$196,298, and the Road & Bridge fund in the amount of \$8,914, and the Fire Levy Fund in the amount of \$3,793 were all reclassified to restricted.
- The General Fund balance of (\$21,983) was reclassified to unassigned.

We also noted several errors in non-payroll disbursements with a projected amount of \$463. However, these were not posted to the financial statement because they were not material.

Lack of due care in posting correctly resulted in audit adjustments. The Township has agreed to these adjustments and the audited financial statements and the Township's accounting system reflect the above adjustments.

To 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 Fiscal Officer or Board of Trustees, to identify and correct errors or omissions.

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2011-07

Noncompliance/Material Weakness

Ohio Admin. Code Section 117-2-02(A) requires public offices to 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, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Per Ohio Admin. Code Section 117-2-02(D), accounting records that can help achieve these objectives include the following:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.
4. In addition, all local public offices should maintain or provide Payroll records including:
 - W-2 forms, W-4 forms and other withholding records and authorizations;
 - Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments;
 - Check register that includes, in numerical sequence, the check number, payee, net amount, and the date;
 - Information regarding non-monetary benefits such as car usage and life insurance
 - Information, by employee, regarding leave balances and usage.

Using these accounting records will provide the Township with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

The Township maintained a manual accounting system, which included the required ledgers and journals indicated above. However, there were numerous errors in the ledgers and journals which resulted in adjusting entries being made. Some disbursements posted to the cash journal were not posted to the appropriation ledger. The payroll ledgers were incomplete and contained errors. Also, personnel files including payroll withholding documentation were not available for audit. Also, while a reconciliation of Township records to bank statements was performed on a monthly basis, the reconciliation documentation was not clear in some cases.

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2011-07 (Continued)

Noncompliance/Material Weakness – Ohio Admin Code Section 117-2-02(A) and (D) (Continued)

In addition, the reports provided to the Auditor of State for audit were significantly deficient and misstated. The receipts were not reported so as to correctly reflect each source. The expenditures were not reported so as to correctly reflect each purpose. In addition, the Financial Statements did not agree to the underlying accounting records provided by the Fiscal Officer. Significantly deficient and misstated financial reports make it difficult for management to monitor financial performance and for the Township to be transparent to the public in its financial activity.

This led to increased time in completion of our procedures and increased audit fees.

We recommend the Township properly maintain the accounting records and reconcile the cash journal to the bank balances and to the receipts ledger and appropriation ledger monthly.

Official's Response: We did not receive a response from Officials to the Findings reported above.

**WASHINGTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code Section 505.601 – Trustees reimbursed for family insurance premiums.	Yes	Finding No Longer Valid due to changes in Ohio Revised Code
2007-002	Ohio Rev. Code Section 5705.41(D) – expenditures were not properly encumbered.	No	Not Corrected. See Finding 2011-04