



Dave Yost • Auditor of State

WASHINGTON TOWNSHIP
HARDIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Washington Township
Hardin County
11430 St. Rt. 81
Dola, Ohio 45835

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code 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 opinion.

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code 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, to satisfy requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 22, 2014

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$50,782	\$16,634	\$67,416
Licenses, Permits and Fees		4,800	4,800
Intergovernmental	170,461	104,132	274,593
Earnings on Investments	999	666	1,665
Miscellaneous	2,289		2,289
Total Cash Receipts	<u>224,531</u>	<u>126,232</u>	<u>350,763</u>
Cash Disbursements:			
Current:			
General Government	100,186	352	100,538
Public Works	1,143	46,372	47,515
Conservation-Recreation	265	1,028	1,293
Health	10,083	4,564	14,647
Capital Outlay	2,676	405	3,081
Intergovernmental		2,089	2,089
Total Cash Disbursements	<u>114,353</u>	<u>54,810</u>	<u>169,163</u>
Net Change in Fund Cash Balances	110,178	71,422	181,600
Fund Cash Balances, January 1	<u>355,204</u>	<u>267,194</u>	<u>622,398</u>
Fund Cash Balances, December 31:			
Restricted		338,616	338,616
Assigned	358,543		358,543
Unassigned	106,839		106,839
Fund Cash Balances, December 31	<u>\$465,382</u>	<u>\$338,616</u>	<u>\$803,998</u>

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

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$51,060	\$16,812	\$67,872
Licenses, Permits and Fees		3,251	3,251
Intergovernmental	101,159	103,933	205,092
Earnings on Investments	735	490	1,225
Miscellaneous	778		778
Total Cash Receipts	<u>153,732</u>	<u>124,486</u>	<u>278,218</u>
Cash Disbursements:			
Current:			
General Government	83,178	355	83,533
Public Works	20,942	35,908	56,850
Conservation-Recreation	153		153
Health	8,494	555	9,049
Capital Outlay	745	25,000	25,745
Intergovernmental		2,163	2,163
Total Cash Disbursements	<u>113,512</u>	<u>63,981</u>	<u>177,493</u>
Net Change in Fund Cash Balances	40,220	60,505	100,725
Fund Cash Balances, January 1	<u>314,984</u>	<u>206,689</u>	<u>521,673</u>
Fund Cash Balances, December 31:			
Restricted		267,194	267,194
Assigned	355,204		355,204
Fund Cash Balances, December 31	<u>\$355,204</u>	<u>\$267,194</u>	<u>\$622,398</u>

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

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Washington Township, Hardin County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township also has an elected fiscal officer. The Township provides general governmental services, road and bridge maintenance and cemetery maintenance.

The Township participates in three jointly governed organizations and the Ohio Township Association Risk Management Authority public entity risk pool. Notes 6 and 7 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Blanchard Dunkirk Washington Joint Ambulance District – provides emergency medical and ambulance services within the District.

Northern Hardin County Fire District – provides fire protection and rescue services within the District and by contract to areas outside the District.

Hardin County Regional Planning Commission – makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County.

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority – provides property and casualty coverage.

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 a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits and Investments

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

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The Township had the following significant Special Revenue Fund:

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

E. Budgetary Process

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

1. Appropriations

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

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

F. Fund Balance

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

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Non-spendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

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
HARDIN COUNTY**

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

2. 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:

	2013	2012
Demand deposits	\$803,998	\$622,398

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

3. BUDGETARY ACTIVITY

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

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,311	\$224,531	\$147,220
Special Revenue	451,933	126,232	(325,701)
Total	\$529,244	\$350,763	(\$178,481)

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$455,751	\$114,353	\$341,398
Special Revenue	358,045	54,810	303,235
Total	\$813,796	\$169,163	\$644,633

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$74,120	\$153,732	\$79,612
Special Revenue	108,106	124,486	16,380
Total	\$182,226	\$278,218	\$95,992

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$390,100	\$113,512	\$276,588
Special Revenue	311,517	63,981	247,536
Total	\$701,617	\$177,493	\$524,124

Some property tax receipts were recorded in the wrong fund which violated Ohio Revised Code Section 5705.10(C). Some restricted receipts were recorded in the wrong fund which violated Ohio Revised Code Section 5705.10(D).

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

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

4. PROPERTY TAX

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

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.

The residents of the Township support the Hardin County Veteran's Memorial Park District (the Park) through an un-voted property tax levy. During 2013 and 2012, the Park received \$2,089 and \$2,163, respectively, in property tax and related homestead and rollback revenue as a result of the Tax levy. The property tax money is reported in the Township's Special Revenue Park Levy Fund. as Property Tax Receipts; the homestead and roll back revenue is reported as Intergovernmental Revenue; and the disbursements are reported as Intergovernmental in the accompanying financial statements. The tax revenue and related disbursement for the Park is "memo" only since the Hardin County Auditor actually distributes this money directly to the Park. The related homestead and rollback revenue for the Park is received by and distributed by the Township.

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

6. RISK MANAGEMENT

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

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

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

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

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

6. RISK MANAGEMENT (Continued)

A. Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

B. Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012 (the latest information available):

	2013	2012
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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

Contributions to OTARMA	
2013	2012
\$4,516	\$4,453

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

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

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

7. JOINTLY GOVERNED ORGANIZATIONS

A. Blanchard Dunkirk Washington Joint Ambulance District

A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Blanchard Township, the Village of Dunkirk, and Washington Township. The District provides emergency medical and ambulance services within the district. Financial information can be obtained from Kathy Schroeder, Clerk at P.O. Box 95 Dunkirk, Ohio 45836.

B. Northern Hardin County Fire District

A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. These subdivisions are the Village of Dunkirk, Blanchard Township, and Washington Township. The District provides fire protection and rescue services within the District and by contract to areas outside the District. Financial information can be obtained from Kathy Schroeder, Clerk at 121 South Buckeye Street, Dunkirk, Ohio 45836.

C. Hardin County Regional Planning Commission

The Hardin County Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County. Each participating government may be required to contribute an assessment per Capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130 Kenton, Ohio 43326.

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Dave Yost • Auditor of State

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

Washington Township
Hardin County
11430 St. Rt. 81
Dola, Ohio 45835

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Washington Township, Hardin County (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated September 22, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-003 and 2013-004 described in the accompanying schedule of findings to be significant deficiencies.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-002.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

September 22, 2014

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Material Weakness

Accuracy of Financial Reporting

The Township should have procedures and controls in place to prevent and detect errors in the financial statements and accounting records to determine that the information provided to the users is complete and accurate.

The following errors were identified in December 31, 2013 financial statements and were adjusted in the accompanying financial statements:

- Homestead and rollback receipts in the amount of \$10,462 recorded in the General Fund were classified as property tax receipts instead of intergovernmental receipts.
- General government disbursements in the amount of \$7,890 were classified as other financing uses in the General Fund.
- General Fund property tax receipts and the related county auditor, treasurer fees and health department deductions of \$9,476 had to be recorded to property reflect gross property tax receipts and related deductions.
- Special Revenue Motor Vehicle License Tax disbursements in the amount of \$3,174 for purchases of tools and supplies were recorded as general government disbursements instead of Public Works.
- Special Revenue Road and Bridge Fund property tax receipts and general government disbursements had to be increased \$325 to reflect the gross property tax receipts and record related deductions.
- Memo property tax receipts in the amount of \$1,809 and homestead and rollback receipts, along with the related disbursements, in the amount of \$280, had to be recorded in the Special Revenue Park Fund.

The following errors were identified in December 31, 2012 financial statements and were adjusted in the accompanying financial statements:

- Homestead and rollback receipts in the amount of \$8,122 recorded in the General Fund were classified as property tax receipts instead of intergovernmental receipts.
- General Fund other financing uses in the amount of \$27,604 were reclassified to the appropriate disbursement line items.
- General Fund property tax receipts and the related county auditor, treasurer fees and health department deductions of \$6,960 had to be recorded to property reflect gross property tax receipts and related deductions.
- Special Revenue Motor Vehicle License Tax disbursements in the amount of \$2,347 for purchases of tools and supplies were recorded as general government disbursements instead of Public Works.
- Special Revenue Road and Bridge Fund property tax receipts and general government disbursements had to be increased \$355 to reflect the gross property tax receipts and record related deductions.
- Memo property tax receipts in the amount of \$658 and homestead and rollback receipts, along with the related disbursements, in the amount of \$304, had to be recorded in the Special Revenue Park Fund.

**FINDING NUMBER 2013-001
 (Continued)**

In addition, at December 31, 2013 and 2102, subsequent year General Fund appropriations in excess of estimated receipts in the amount of \$358,543 and \$355,204, respectively, were reclassified from unassigned fund balance to assigned fund balance. Also, the notes to the annual financial statements required modification to correct the deposit, budgetary, and jointly governed organization disclosures.

The accompanying financial statements and notes have been adjusted to correct these errors.

Errors in the financial statements and supporting ledgers inhibit the ability of both the Fiscal Officer and the Trustees to monitor financial activity and to make sound financial decisions. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the Township. In addition, financial information with errors reduces the likelihood that irregularities will be detected in a timely manner. Since the notes to the financial statements further the understanding of the financial statements, errors or omissions impact the users understanding of the financial statements and the Township.

The errors identified above should be reviewed by the Fiscal Officer to provide that similar errors are not recorded in the accounting records and financial statements in subsequent years. Also the Fiscal Officer should review the annual notes to the financial statements for accuracy and completeness. The Trustees should periodically review the accounting records to help identify and correct errors prior to completion of the annual financial statements. In addition, the Fiscal Officer should review governmental accounting resources such as those found on the Auditor of State Website at <https://ohioauditor.gov/> , for guidance in recording of financial activity.

FINDING NUMBER 2013-002

Material Weakness / Noncompliance Citation

Ohio Rev. Code § 5705.10(C) states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. **Ohio Rev. Code § 5705.10(D)** states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

The following receipts were recorded in the wrong funds:

<u>Year</u>	<u>Revenue Type</u>	<u>Amount</u>	<u>Fund Recorded in by Township</u>	<u>Correct Special Revenue Fund</u>
2013	Excess IRP	\$348	General	Motor Vehicle License Tax
2013	Homestead & Rollback	2,406	General	Road & Bridge
2013	Property Taxes	14,473	General	Road & Bridge
2013	Gas Tax	33,561	General	Gas Tax Fund
2012	MVLT Excess IRP	313	General	Motor Vehicle License Tax
2012	Homestead & Rollback	2,426	General	Road & Bridge
2012	Property Taxes	4,973	General	Road & Bridge
2012	Gas Tax	19,458	General	Gas Tax

The failure to record receipts in the correct fund impacts the users understanding of the available resources in each fund, may result in the illegal disbursement of restricted money, may materially misstate the financial statements, and makes it more difficult to detect irregularities.

The accounting records and accompanying financial statements have been adjusted to correctly record these receipts.

**FINDING NUMBER 2013-002
(Continued)**

The Fiscal Officer and Trustees should periodically perform an in-depth review of the accounting records and supporting documentation to help detect errors in a timely manner and prior to completion of the annual financial statements.

FINDING NUMBER 2013-003

Significant Deficiency - Review and Approval of Employee Timesheets

The Township should have controls in place to provide that the wages paid to hourly employees are supported by accurate and complete timesheets and have been approved. Each of the Township's hourly employees completed a monthly timesheet documenting hours worked. The employees then submitted the timesheets to the Fiscal Officer for entry into the payroll system. The following errors and discrepancies with employee timesheets were identified:

- There were four instances in which checks were not written for the amount of hours approved on the timesheets in 2013. This also occurred twelve times in 2012.
- There was one instance in 2013 and three instances in 2012 where employee paychecks included payment for hours worked during the current month and the previous month.
- Timesheet hours on timesheets dated April 10, 2012 and July 10, 2012 were not correctly calculated.
- There was one instance in November 2012 in which no paycheck was written for the time worked.
- There were four paychecks written before the end of the pay period when final hours were turned in for approval during 2012.

As a result of some of the discrepancies identified above, an hourly employee was overpaid by \$90 in 2012. A second hourly employee was also underpaid in 2012 by \$198; however, was overpaid in 2013 by \$201.50 resulting in a total overpayment of \$3.50 between 2012 and 2013.

The failure to pay employees according to their timesheets and time period worked increases the risk that wages will be charged to the wrong fund or paid in excess of hours worked. Wages charged to the wrong fund can result in the illegal disbursement of restricted money and/or the material misstatement of the financial statements. The overpayment of wages can result in findings for recovery against those authorizing the payment and/or the employee.

The Fiscal Officer should verify that each timesheet has been approved by someone with direct knowledge of the employee(s) work assignments, that the wages are for the pay period just ended, that the fund(s) to be charged are appropriate for the employee, that the hourly rate on the timesheet agrees to the most recent legislation, and that the timesheet and wages are calculated correctly prior to issuing payroll checks. Also, at the completion of each pay period, completed timesheets should be approved prior to submitting to the Fiscal Officer. Periodically the Trustees should review the timesheets, wage calculations, and fund allocations to help assure accuracy.

FINDING NUMBER 2013-004

Significant Deficiency

Bank to Book Reconciliation Variances

Cash is the asset most susceptible to theft and misappropriation therefore appropriate controls over cash should exist at the Township. Monthly reconciliations between the book balances and the bank is a key control that provides a reasonable assurance that all receipts and disbursements have been accurately and completely recorded in the accounting records and processed by the financial institution. Additionally, an accurate and complete reconciliation provides the Township with a picture of the financial position at month-end. Failure to maintain complete accountability of public monies could increase the possibility of funds being altered impaired lost or stolen.

At December 31, 2013 the Township was not reconciled. As of December 31, 2013, there was \$7,703 in other adjusting factors on the Township's bank reconciliation; \$4,859 of this amount was from a prior audit adjustment that was not properly posted, resulting in an overstatement of the balance by this amount. The remaining \$2,844, by which the Township's accounting system exceeded the bank balance, could not be reconciled. This gives the appearance that money collected has not been properly accounted for by the Township.

The accompanying financial statements and the accounting records were adjusted by \$4,859 to correct the adjustment posting error.

The Township should resolve the un-reconciled variance and if necessary adjust the books. The Board should periodically review the accounting records and the bank to book reconciliations to help identify errors that may contribute to an un-reconciled balance. All un-reconciled balances should be researched in order to find the known source of the error.

OFFICIALS' RESPONSE: We did not receive a response from Officials to the findings reported above.

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Material Weakness – Accuracy of Financial Reporting – The Townships 2011 and 2010 financial statements contained classification errors.	No	Repeated as Finding 2013-001
2011-02	Material Weakness/Noncompliance Citation Ohio Rev. Code § 5705.10 (A) and (D) – The Township recorded receipts in the wrong funds.	No	Partially repeated in Finding 2013-002
2011-03	Noncompliance Citation - Ohio Rev. Code § 5705.39 requires that total appropriations from each fund not exceed the total estimated resources.	Yes	

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Dave Yost • Auditor of State

WASHINGTON TOWNSHIP

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 21, 2014**