



Dave Yost • Auditor of State

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Waterford Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Waterford Township, Washington County, Ohio, as of December 31, 2012 and 2011, 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 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 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

January 8, 2014

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

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

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$155,497	\$482,564		\$638,061
Licenses, Permits and Fees		10,081		10,081
Intergovernmental	41,125	256,139		297,264
Special Assessments		5,996		5,996
Earnings on Investments	698	254	\$136	1,088
Miscellaneous	93,930	7,802		101,732
<i>Total Cash Receipts</i>	<u>291,250</u>	<u>762,836</u>	<u>\$136</u>	<u>1,054,222</u>
Cash Disbursements				
Current:				
General Government	206,155			206,155
Public Safety		154,624		154,624
Public Works	7,100	582,190		589,290
Health	40,266	35,000		75,266
Capital Outlay		56,893		56,893
<i>Total Cash Disbursements</i>	<u>253,521</u>	<u>828,707</u>	<u>0</u>	<u>1,082,228</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>37,729</u>	<u>(65,871)</u>	<u>136</u>	<u>(28,006)</u>
Other Financing Receipts (Disbursements)				
Transfers In	445	45,207		45,652
Transfers Out	(29,627)	(16,025)		(45,652)
Advances In	20,000	20,000		40,000
Advances Out	(20,000)	(20,000)		(40,000)
Other Financing Uses	(8)			(8)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(29,190)</u>	<u>29,182</u>	<u>0</u>	<u>(8)</u>
<i>Net Change in Fund Cash Balances</i>	8,539	(36,689)	136	(28,014)
<i>Fund Cash Balances, January 1,</i>	<u>34,124</u>	<u>527,502</u>	<u>5,863</u>	<u>567,489</u>
Fund Cash Balances, December 31				
Nonspendable			3,228	3,228
Restricted		490,813	2,771	493,584
Unassigned (Deficit)	42,663			42,663
<i>Fund Cash Balances, December 31</i>	<u>\$42,663</u>	<u>\$490,813</u>	<u>\$5,999</u>	<u>\$539,475</u>

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

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

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

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$163,917	\$502,958		\$666,875
Licenses, Permits and Fees		13,975		13,975
Intergovernmental	36,455	251,134		287,589
Special Assessments		6,205		6,205
Earnings on Investments	863	279	\$21	1,163
Miscellaneous	94,067	6,735		100,802
<i>Total Cash Receipts</i>	<u>295,302</u>	<u>781,286</u>	<u>\$21</u>	<u>1,076,609</u>
Cash Disbursements				
Current:				
General Government	215,878			215,878
Public Safety		182,378		182,378
Public Works	1,567	534,555		536,122
Health	41,004	22,100		63,104
Capital Outlay	3,417	3,670		7,087
<i>Total Cash Disbursements</i>	<u>261,866</u>	<u>742,703</u>	<u>0</u>	<u>1,004,569</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>33,436</u>	<u>38,583</u>	<u>21</u>	<u>72,040</u>
Other Financing Receipts (Disbursements)				
Transfers In		34,199		34,199
Transfers Out	(34,199)			(34,199)
Advances In	25,000	25,000		50,000
Advances Out	(25,000)	(25,000)		(50,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(34,199)</u>	<u>34,199</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(763)	72,782	21	72,040
<i>Fund Cash Balances, January 1, (restated, see Note 3)</i>	<u>34,887</u>	<u>454,720</u>	<u>5,842</u>	<u>495,449</u>
Fund Cash Balances, December 31				
Nonspendable			3,228	3,228
Restricted		527,502	2,635	530,137
Unassigned (Deficit)	34,124			34,124
<i>Fund Cash Balances, December 31</i>	<u>\$34,124</u>	<u>\$527,502</u>	<u>\$5,863</u>	<u>\$567,489</u>

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

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis 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

The Township has one primary, interest bearing checking account.

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

2. Special Revenue Funds

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

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

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Township's programs (for the benefit of the Township or its citizenry). The Township has six cemetery bequest funds classified as Permanent Funds. These funds receive interest earned on the nonexpendable corpus of a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemeteries.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 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.

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. Change in Accounting Principle and Restatement of Fund Equity

A. Change in Accounting Principle

For fiscal year 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

B. Restatement of Fund Equity

The Township recorded a fund balance adjustment due to interest allocations posted incorrectly in the 2008-2007 audit report that was not recorded in the Township's books until the current audit period.

<u>Governmental Funds</u>	<u>Fund Balances at December 31, 2010</u>	<u>Restatement Amount</u>	<u>Fund Balances at January 1, 2011</u>
General	\$34,114	\$773	\$34,887
Special Revenue	455,463	(743)	454,720
Permanent	5,872	(30)	5,842

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:

	<u>2012</u>	<u>2011</u>
Demand deposits	<u>\$539,475</u>	<u>\$567,489</u>

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

<u>2012 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$284,327	\$291,695	\$7,368
Special Revenue	682,775	808,043	125,268
Permanent	23	136	113
Total	<u>\$967,125</u>	<u>\$1,099,874</u>	<u>\$132,749</u>

<u>2012 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$306,757	\$283,156	\$23,601
Special Revenue	1,208,735	844,732	364,003
Permanent	5,789	0	5,789
Total	<u>\$1,521,281</u>	<u>\$1,127,888</u>	<u>\$393,393</u>

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$291,756	\$295,302	\$3,546
Special Revenue	675,774	815,485	139,711
Permanent	32	21	(11)
Total	\$967,562	\$1,110,808	\$143,246

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$293,428	\$296,065	(\$2,637)
Special Revenue	1,136,726	742,703	394,023
Permanent	5,931	0	5,931
Total	\$1,436,085	\$1,038,768	\$397,317

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.

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 2012 and 2011, 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, 2012.

7. Risk Management

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

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management (Continued)

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

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

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	<u>(9,355,082)</u>	<u>(9,718,792)</u>
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$7,400.

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.

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management (Continued)

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
\$12,551	\$12,890

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.

8. 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.

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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

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

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Waterford Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated January 8, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Township has adopted Government Accounting Standards Board Statement No.54.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-003 and 2012-004 described in the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2012-001 through 2012-003.

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.



Dave Yost
Auditor of State

Columbus, Ohio

January 8, 2014

**WATERFORD TOWNSHIP
WASHINGTON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-001

Finding Repaid Under Audit/Noncompliance

Ohio Rev. Code Section 505.60(A) states a board of township trustees of any township may procure and pay all or any part of the cost of insurance policies that may provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance for township officers and employees.

If the board procures any insurance policies under this section, the board shall provide uniform coverage under these policies for township officers and full-time township employees and their immediate dependents, and may provide coverage under these policies for part-time township employees and their immediate dependents, from the funds or budgets from which the officers or employees are compensated for services, such policies to be issued by an insurance company duly authorized to do business in this state.

Ohio Rev. Code Section 505.60(D) states if any township officer or employee is denied coverage under a health care plan under this section or if any township officer or employee elects not to participate in the township's health care plan, the township may reimburse the officer or employee for each out-of-pocket premium attributable to the coverage provided for the officer or employee and their immediate dependents for insurance benefits described in division (A) of this section that the officer or employee otherwise obtains, but not to exceed an amount equal to the average premium paid by the township for its officers and employees under any health care plan it procures under this section.

During the period January 1, 2011 through December 31, 2011, the Township provided health insurance coverage to Township employees under Ohio Rev. Code Section 505.60. The Fiscal Officer elected coverage for health insurance under the Township's policy, but her husband, who was not an employee, obtained health insurance coverage elsewhere. The Township Fiscal Officer, Carolyn Offenberger, wrote eleven checks to herself for reimbursement of her husband's health care insurance payments to a separate provider during 2011, while she maintained health insurance through the Township. A reimbursement is only valid when the township employee elects to not participate or is denied coverage and receives health insurance elsewhere. As a result, Carolyn Offenberger received improper reimbursement payments for her husband's health care expenditures, in the amount of \$1,891.32.

<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
2/8/2011	18881	\$421.61	reimb for spouse Wellcare health premium
4/6/2011	18986	\$56.00	reimb for spouse supplemental insurance
5/17/2011	19049	\$365.61	reimb for spouse supplemental insurance
7/12/2011	19148	\$56.00	reimb for spouse supplemental insurance
8/3/2011	19182	\$56.00	reimb for spouse supplemental insurance
8/24/2011	19210	\$356.05	reimb for spouse supplemental insurance
9/6/2011	19245	\$56.00	reimb for spouse supplemental insurance
10/5/2011	19310	\$56.00	reimb for spouse supplemental insurance
11/5/2011	19345	\$56.00	reimb for spouse supplemental insurance
11/15/2011	19381	\$356.05	reimb for spouse supplemental insurance
12/13/2011	19438	\$56.00	reimb for spouse supplemental insurance
		\$1,891.32	

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-001 (Continued)

Finding Repaid Under Audit/Noncompliance – Ohio Rev. Code Section 505.60(A) (Continued)

Carolyn Offenberger submitted check #3328, dated January 9, 2014, in the amount of \$1,891.32 to the Township on January 9, 2014. The current Fiscal Officer deposited the check and posted the amount to the General Fund.

We recommend the Township contact their legal counsel when uncertain about the allowability of expenditures.

FINDING NUMBER 2012-002

Noncompliance

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority 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.

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 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 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 exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-002 (Continued)

Noncompliance – Ohio Rev. Code Section 5705.41(D)(1) (Continued)

The Township did not certify the availability of funds prior to purchase commitment for 8 percent of the expenditures tested in 2011 and 22 percent of the expenditures tested in 2012, and there was no evidence the Township followed the aforementioned exceptions.

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

We recommend the Township certify purchases to which Section 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Ohio Rev. Code Section 5705.41(D) are satisfied.

FINDING NUMBER 2012-003

Noncompliance/Material Weakness

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

During 2011, the Fiscal Officer posted certain transactions incorrectly as follows:

- Property tax replacement was posted as taxes instead of intergovernmental (General - \$13,745; Road and Bridge - \$63,982; Ambulance - \$17,393; Special Fire - \$7,453; Special Fire & Ambulance - \$9,940; and Special Fire & Ambulance Levy - \$1,803);
- Real estate tax was posted at net (General - \$22,322; Road and Bridge - \$2,661; Ambulance - \$852; Special Fire - \$365; Special Fire & Ambulance - \$496; and Special Fire & Ambulance Levy - \$407);
- Manufactured home taxes were posted at net (General - \$101; Road and Bridge - \$148; Ambulance - \$46; Special Fire - \$20; Special Fire & Ambulance - \$28; and Special Fire & Ambulance Levy - \$25);
- Permissive sales tax paid on behalf of the Township by Washington County was not recorded as an intergovernmental receipt and a public works expenditure (\$55,000); and
- Ambulance Fund expenditures (\$62,031), Special Fire Fund expenditures (\$46,780), Special Fire and Ambulance Fund expenditures (\$58,076) and Special Fire and Ambulance Levy Fund expenditures (\$11,732) were posted to general government instead of public safety.

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-003 (Continued)

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

During 2012, the Fiscal Officer posted certain transactions incorrectly as follows:

- Property tax replacement was posted as taxes instead of intergovernmental (General - \$3,387; Road and Bridge - \$5,823; Ambulance - \$2,199; Special Fire - \$942; Special Fire and Ambulance - \$1,257; and Special Fire and Ambulance Levy - \$942);
- Homestead exemption was posted to taxes instead of intergovernmental (General - \$107; Road and Bridge - \$146; Ambulance - \$61; Special Fire - \$26; Special Fire and Ambulance - \$36; and Special Fire and Ambulance Levy - \$33);
- Permissive sales tax was posted to taxes instead of intergovernmental (\$44,686); and
- Ambulance Fund expenditures (\$45,828), Special Fire Fund expenditures (\$38,755), Special Fire and Ambulance Fund expenditures (\$62,000) and Special Fire and Ambulance Levy Fund expenditures (\$5,748) were posted to general government instead of public safety.

These reclassification errors were due to a lack of management oversight. The significant reclassifications, with which management agrees, were posted to the financial statements of the Township.

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

FINDING NUMBER 2012-004

Material Weakness

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the UAN system. The UAN system should be utilized to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

We found estimated revenue approved by the Budget Commission did not agree to the amounts posted to the UAN accounting system as follows:

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-004 (Continued)

Material Weakness (Continued)

Fund	Estimated Revenue per Budget Commission	Estimated Revenue per Revenue Status Report	Variance
<i>December 31, 2012:</i>			
General	\$ 284,327	\$ 273,799	\$ 10,528
Motor Vehicle License Tax	30,275	29,060	1,215
Gasoline Tax	81,000	79,100	1,900
Road & Bridge	300,000	302,000	(2,000)
Cemetery	20,000	26,300	(6,300)
Ambulance	110,000	113,560	(3,560)
Special Fire	41,400	42,800	(1,400)
Special Fire & Ambulance	53,250	57,910	(4,660)
Special Fire & Ambulance Levy	39,850	40,750	(900)
Permissive Sales Tax	0	44,686	(44,686)
Miscellaneous Special Revenue	0	16,025	(16,025)
Morgan Trust 5093	7	4	3
Paxton Trust	4	2	2
Pabst Trust	4	2	2
Brackenridge Trust	2	1	1
Morgan Trust 5092	6	3	3
<i>December 31, 2011:</i>			
General	291,756	250,000	41,756
Cemetery	3,575	26,171	(22,596)
Special Fire & Ambulance	58,500	56,142	2,358

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-004 (Continued)

Material Weakness (Continued)

We found appropriations approved by the Budget Commission did not agree to the amounts posted to the UAN accounting system as follows.

Fund	Appropriations per Appropriation Authority	Appropriations per Appropriation Status report	Variance
<i>December 31, 2012:</i>			
General	\$ 306,757	\$ 317,084	\$ (10,327)
Cemetery	40,327	35,000	5,327
Permissive Sales Tax	0	44,923	(44,923)
Miscellaneous Special Revenue	0	16,025	(16,025)
 <i>December 31, 2011:</i>			
General	293,428	335,183	(41,755)
Cemetery	5,596	22,596	(17,000)

We recommend the Township accurately post to their accounting system appropriations as approved by the Board of Trustees and estimated revenue as approved by the Budget Commission.

Officials' Response:

Management declined to respond to any of the findings.

**WATERFORD TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations in 2010 and 2009.	No	Reissued as a noncompliance citation in the Management Letter.
2010-02	Ohio Rev. Code Section 5705.41(D)(1) for not properly encumbering disbursements for 2010 and 2009.	No	Reissued as Finding Number 2012-02.
2010-03	The Township did not post appropriations as approved by the Board of Trustees correctly to the Township's UAN system during 2010 and 2009. The Township did not post estimated resources as approved by the Budget Commission correctly to the Township's UAN system during 2010.	No	Reissued as Finding Number 2012-04.
2010-04	The Township misclassified receipts and expenditures in 2010 and 2009.	No	Reissued as Finding Number 2012-03.

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Dave Yost • Auditor of State

WATERFORD TOWNSHIP

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 28, 2014**